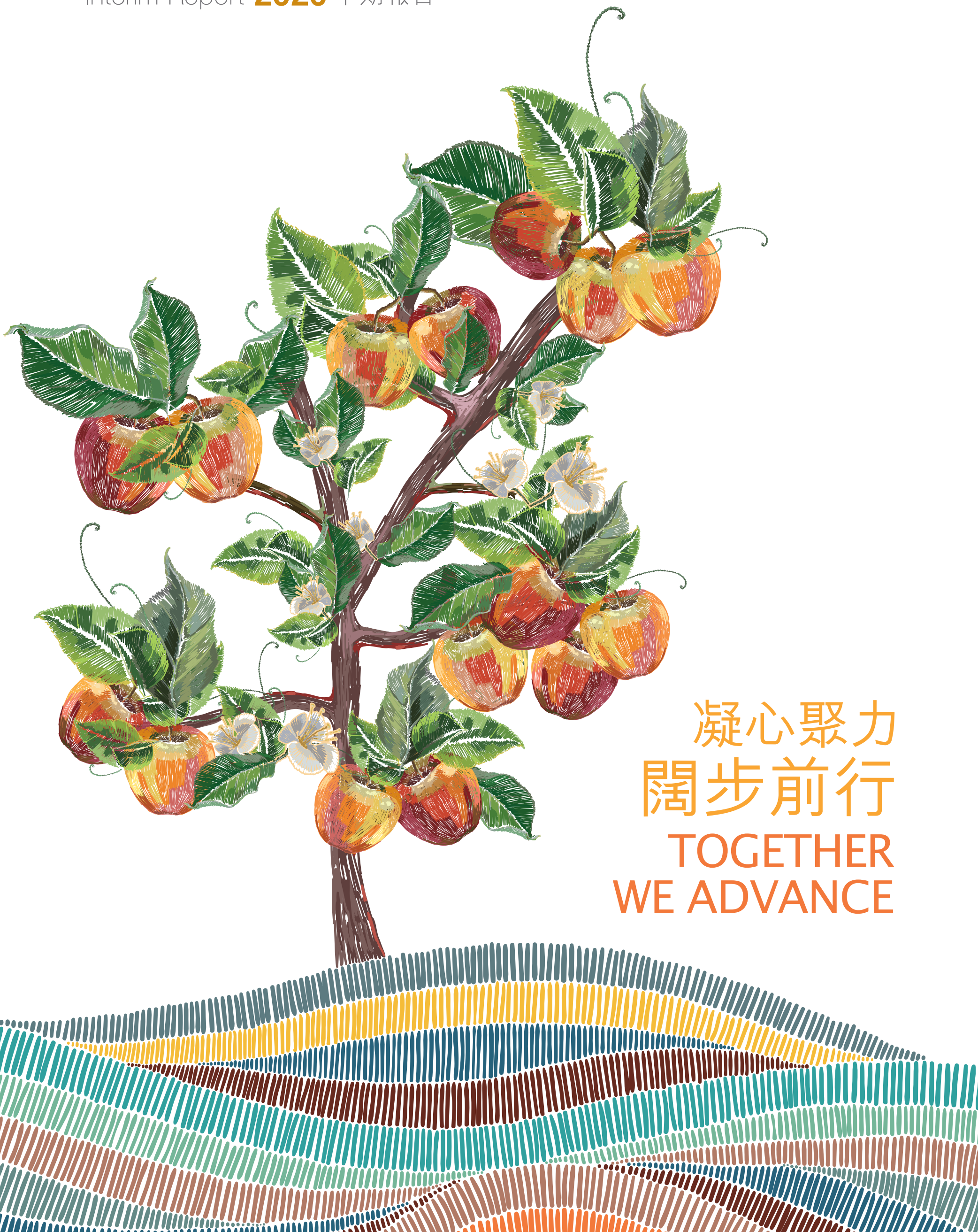
中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號 : 00081

Interim Report **2020** 中期報告



凝心聚力
闊步前行
TOGETHER
WE ADVANCE

目錄

Contents

Board of Directors and Committees

EXECUTIVE DIRECTORS

Zhuang Yong	*Chairman*
Yang Lin	*Chief Executive Officer*
Wang Man Kwan, Paul	*Chief Financial Officer*

NON-EXECUTIVE DIRECTORS

Yan Jianguo	
Yung Kwok Kee, Billy	*Vice Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

AUTHORIZED REPRESENTATIVES

Zhuang Yong
Yang Lin

AUDIT COMMITTEE

Chung Shui Ming, Timpson*
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

REMUNERATION COMMITTEE

Lam Kin Fung, Jeffrey*
Yung Kwok Kee, Billy
Chung Shui Ming, Timpson
Lo Yiu Ching, Dantes
Yang Lin#

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes*
Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Zhuang Yong

* *Committee Chairman*
\# *resigned w.e.f. 26 June 2020*

Corporate and Shareholders' Information

CORPORATE INFORMATION

Registered Office

Suites 701–702, 7/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
Website : www.cogogl.com.hk

COMPANY SECRETARY

Anita Wong

SHARE REGISTRAR

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

LEGAL ADVISOR

Mayer Brown

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

(In Alphabetical Order)
Agriculture Bank of China Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Bank of Shanghai Co. Ltd.
China Bohai Bank Co., Ltd.
China CITIC Bank Corporation Limited
China Construction Bank (Asia) Corporation Limited
China Construction Bank Corporation
Chong Hing Bank Limited
China Merchants Bank Co., Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Nanyang Commercial Bank (China) Limited

SHAREHOLDERS' INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ordinary Shares (as at 30 June 2020)

Shares outstanding 3,423,359,841 shares

STOCK CODE

Shares

Stock Exchange : 00081
Bloomberg : 81:HK
Reuters : 0081.HK

INVESTOR RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
E-mail : cogo.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
E-mail : cogo.pr@cohl.com

FINANCIAL CALENDAR

2020 interim results announcement	17 August 2020
Ex-dividend date	23 September 2020
Latest time to lodge transfer documents for registration with the Company's share registrar	At 4:30 p.m. on 24 September 2020
Closure of Register of Members	25 September 2020
Record date	25 September 2020
Despatch date of interim dividend warrants	15 October 2020

INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020. The Group's unaudited consolidated profit attributable to owners of the Company for the first half of 2020 was RMB2,034.8 million (the corresponding period in 2019: RMB1,582.9 million), representing an increase of 28.5% over the corresponding period last year. Basic earnings per share were RMB59.4 cents.

In the past six months, the coronavirus pandemic has wreaked havoc on global economy. Facing the unprecedented crisis, the central government has implemented decisive and comprehensive measures on one hand, to contain the pandemic and on the other hand, to stabilize the economy. With proper execution of supportive policies that led to an orderly resumption of production and living orders, the Chinese economy has been in the process of steady recovery. Benefited from the economic stimulation policies and progress of urbanization, the property market in China also has shown signs of resurgence.

In the first half of the year, the Group implemented strict pandemic prevention and controlling measures in its properties and communities to combat the outbreak of the coronavirus. While the rhythm of property sales and the construction schedule of the projects were inevitably disturbed, the measures taken by the Group have effectively mitigated the negative impacts arising from the pandemic. Sales momentum has started to pick up in the second quarter and construction progress is also in the course of catching up.

INTRODUCTION *(continued)*

Amid the pandemic, the Group is still confident in the prospects of property market in China and continued its hunts for premium land pieces with the best investment value, though in a cautious way, so as to secure a solid foundation for sustainable growth of the business and expand its operating scale. Firmly adhered to its prudent investment principle, the Group replenished and enlarged its land bank with high quality projects at reasonable costs. In the first half of 2020, led by the well-experienced management team and after detailed analysis on returns of the projects, the Group extended its footprints to six cities with growth potential, namely Taizhou (Jiangsu province), Zhenjiang (Jiangsu province), Langfang (Hebei province), Tangshan (Hebei province), Jinhua (Zhejiang province) and Zunyi (Guizhou province). In an intricate market, it is crucial to select right places for investment in order to generate good returns to shareholders. During the past six months, the Group bagged a total of eighteen parcels of land with a total gross floor area of about 4,132,400 sq.m. (attributable to the Group: 3,475,300 sq.m.) and apart from the new cities mentioned above, the land pieces are located in Zibo, Hefei, Huizhou, Yancheng, Lanzhou, Baotou, Xining, Jiujiang, Yinchuan and Shantou. As at 30 June 2020, the gross floor area of total land bank of the Group and its associate in China reached about 26,335,400 sq.m., of which, about 125,400 sq.m. is held by an associate. The gross floor area of land bank attributable to the Group (including the interests in associates) is about 23,659,600 sq.m.. The Group held a land bank distributed in 33 cities as at 30 June 2020.

RESULTS

For the half year ended 30 June 2020, contracted property sales of the Group and its associates and joint ventures was RMB27,867.5 million (the corresponding period in 2019: RMB24,332.1 million), for an aggregated contracted area of 2,420,700 sq.m. (the corresponding period in 2019: 2,374,100 sq.m.), (in which, RMB1,071.2 million [the corresponding period in 2019: RMB334.3 million] for an aggregated contracted area of 88,000 sq.m. [the corresponding period in 2019: 32,300 sq.m.] was contributed from associates and joint ventures) representing an increase of 14.5% and 2.0% respectively against the same period last year. Besides, as at 30 June 2020, the balance of preliminary sales pending the completion of sales and purchase agreements was RMB1,125.0 million (30 June 2019: RMB1,089.7 million) for an aggregated contracted area of 83,700 sq.m. (30 June 2019: 82,200 sq.m.).

The Group attained a turnover of RMB16,109.3 million (the corresponding period in 2019: RMB11,057.5 million) for the period, representing an increase of 45.7% over the corresponding period last year. Profit attributable to owners of the Company for the period reached RMB2,034.8 million (the corresponding period in 2019: RMB1,582.9 million), 28.5% higher than the same period last year. Basic earnings per share was also up 28.5% comparing with the corresponding period last year, to RMB59.4 cents (the corresponding period in 2019: RMB46.2 cents per share).

INTERIM DIVIDEND

After reviewing the results performance for the period, working capital requirements for the Group's future expansion of its business and macro-economic environment, the Board is grateful to declare an interim dividend of HK7 cents per share (the corresponding period in 2019: HK6 cents per share).

PROSPECTS

The Economy

The current operating environment is complicated. The tightening of the Sino-US relationships has exacerbated the uncertainty about international environment that induces greater external risks and challenges. While the coronavirus pandemic is still spreading around the world, its enormous impacts on global economy continue evolving. However, with remarkable results achieved in containing the pandemic in China and the effects of macro policies, economy in China has been in the process of stable recovery. Thus, the property market maintains stable development in general.

PROSPECTS *(continued)*

Real Estate Development

The prudent and loose monetary environment in China is expected to maintain to supply reasonable and abundant liquidity to support the resumption of economic growth. For the property market, the decrease in financing costs to developers and the home buyers is conducive to the recovery of the market. In addition, the strategies of continual increase in investment on upgrading infrastructures and the advancement of urbanization will further promote the attractiveness of cities to surrounding population and resources which benefits the healthy development of property market in cities. Moreover, the central government's principles of "houses are for living in, not speculation" and "city specific policies" will also ensure stable and healthy growth of the property market.

Group Strategy

The Group is optimistic to the long-term development of the property market in China. Aiming to create values to its customers, staff, stakeholders in the society and shareholders, the Group continues its strategies to build up its business scale and remains committed to achieve sustainable and healthy growth with high quality.

Fully embraced the government's urbanization and long-term housing policy, the Group unswervingly continues its expansion plan in promising emerging cities with investment value and development potential. Project developments in popular cities and popular locations remain the investment thesis and primary focus of development of the Group. Targeting at the customer needs for high quality properties, development of residential properties in the range of middle to high-end is still the core business of the Group.

The Group fully believes that it is of paramount importance to build up and maintain a scaled high quality land bank at competitive costs for sustainable growth and maximizing shareholders' returns in long term. With risks and opportunities usually co-exist, its solid financial position enables the Group holding a pole position in expanding its land portfolio in a dynamic market environment. At appropriate and sustainable capital and debt structure, the Group will continue to proactively seek for new development opportunities in an orderly manner.

PROSPECTS *(continued)*

Group Strategy *(continued)*

In a fragmented market, the Group actively solicits suitable property projects in prime cities and locations at privilege terms to enlarge its land bank and widen its operating territories. Stuck firmly to its prudent investment approach, the Group closely monitors operating environment and land acquisition opportunities in different regions and after undertaking comprehensive reviews and detailed assessments, will select qualified property projects with high investment value for expansion to fuel the business growth. To complete strategic geographic development plan, the Group not only replenishes land in its well-performed cities, but also actively explores to penetrate into some new cities, mainly regional economic centres closed to metropolitan areas and with high growth potential, and districts where synergies can be achieved with the existing cities being operated.

Whereas open market land auction has been the major and most important source of land addition, the Group keeps on exploring diversified land acquisition channels in order to accelerate the development pace and maintain a balanced land bank with reasonable investment returns. To broaden its earnings base and balance its risks, the Group continues to look up the opportunities to jointly develop property projects with reliable business partners, including but not limited to reputable property developers and trustworthy financial institutions. As announced on 11 August 2020, the Group is seeking the approval from independent shareholders to form a joint venture with China Overseas Land & Investment Limited, the controlling shareholder of the Group, to develop property projects in China. The management considered the formation of the joint venture, if approved, would empower the Group to participate in larger scale investment projects and generate satisfactory returns.

Tremendous efforts have been made on customer services as the Group realizes the significance of customer orientation in long-term development of the business. Market surveys have been conducted regularly to obtain customers feedbacks for the purposes of continuous amelioration of products and services. Through offering the best of the class products, caring services and exceptional customer experiences in property handover, the Group strives to exceed the customer expectations and become the market leader in the area of customer satisfaction so as to accumulate loyal customers for sustainable business growth.

PROSPECTS *(continued)*

Group Strategy *(continued)*

As a leading developer in the market, the Group consistently keeps the high standard of its product quality and continues upgrading its property projects with popular layouts and improved material to meet the ever-changing customer requirements. Developing popular products with high-quality, green, healthy, wisdom and technology remains the key product strategy of the Group. Adhered to the spirit of excellence in craftsmanship, the Group conducts multi-dimensional research in the aspects of functions and living experiences and establishes research centres for customers and products to find out the new requirements of the customers timely to perfect each product details and evolve new features. Taking into account the characteristics of the cities its projects located, the Group integrates the architectural aesthetics of the East with the West to build its property products with professionalism. Backed by the enhanced capabilities in product development and production, the Group continues to raise the proportion of renovated units in its property projects to meet the escalating customer demands for quality products and uplift its profitability.

Together with the upgrade of product design, the construction program is being scrutinized and optimized continuously. With the implementation of stringent controls in project management and monitoring, the Group is determined to raise the quality of the projects and shorten project development cycle to match the sales schedule and expedite cash collection.

The Group pledges to increase its operating scale progressively. Leveraged with the highly recognized nationwide brand, the Group closely monitors the market environment in different regions and grasps the best window to launch tailor-made sales programs to accelerate the sell-through rate of inventory. Performing thorough studies on the market and target customer segments, the sales and marketing team formulates well-placed strategies to promote the effectiveness of the sales campaigns. Innovative marketing methodologies will continue to be adopted to speed up the property sales.

PROSPECTS *(continued)*

Group Strategy *(continued)*

The operating environment is as competitive as ever. Facing the fast-changing market condition, the operating process and corporate structure are reviewed by the management regularly and are optimized to support the strategic business development plan and extend the competitive edge of the Group. Built on the standardized operation systems, the Group continues to enhance its management information system and workflows. Customized digital platforms are being applied in a broader basis to facilitate the management decision process and improve the operating efficiency. At the same time, the Group will keep on reinforcing its internal controls, tightening its cost controls and strengthening its risk management system to warrant healthy growth of the business.

Being a responsible corporation strictly observed financial disciplines, the Group maintains professional and prudent financial management of the financial resources and will continue to enhance its financial management capability. Financial returns and cash collection status of property projects will be tracked closely to ensure the progress is in line with the business plan. In view of the volatility of financial and capital market nowadays, debt structure and profile will be reviewed regularly and will be maintained at a healthy level continuously. The Group will keep eye on the impacts from the external political and economic environment, volatility of exchange rate of Renminbi, and national policy changes to the business operations.

The management truly believes that talent capital is the key to success and continuous development of business. With the provision of all-rounded trainings and an open and inclusive organization structure and working environment, the Group intends to cultivate staff with potential to ensure the marching forward of the corporate. The Group will continue to optimize its competitive remuneration package for staff to maintain a professional, dedicated and highly effective team. The Group continues to grow together with its staff.

APPRECIATION

The business environment was extremely challenging in the past six months. I would like to take this opportunity to express my heartfelt thanks to my fellow directors and our committed staff for their dedication, hard work and contributions to the Group, and our shareholders, customers and business partners for their continued confidence and support during the period.

Zhuang Yong
Chairman and Executive Director

Hong Kong, 17 August 2020

REVENUE AND OPERATING RESULTS

In the first half of the year, the global economy was inevitably affected by the coronavirus pandemic. Nevertheless, the Group took timely countermeasures, including expanding online sales and adjusting construction procedures, and effectively reduced the adverse impacts of the pandemic. Contracted property sales began to pick up in the second quarter. The contracted property sales of the Group and its associates and joint ventures reached RMB27,867.5 million, increased by 14.5% against the same period last year, in which, RMB1,071.2 million (the corresponding period in 2019: RMB334.3 million) was contributed from associates and joint ventures. The development progress and the handover schedule of the property projects met the revised plan and have been in the process of catching up with the original annual plan. The Group's revenue for the six months ended 30 June 2020 reached RMB16,109.3 million, increased by 45.7% against the corresponding period last year. Furthermore, gross profit for the period was RMB5,264.8 million, 35.8% higher than the same period last year while the overall gross profit margin of the Group for the period decreased by 2.4% to 32.7%, still in line with the expectation.

In terms of expenses, distribution and selling expenses for the period increased by RMB158.7 million against the same period last year to RMB553.0 million. The ratio of distribution and selling expenses to the Group's contracted property sales still maintained at the low level of 2.1%. In addition, as the operating scale has been expanding gradually, administrative expenses for the period increased by RMB129.7 million against the same period last year to RMB475.5 million. The ratio of the administrative expenses to revenue dropped slightly to 3.0% from 3.1% compared with the last corresponding period. The Group continued to exercise stringent controls over the overhead costs.

In respect of the investment properties, same as the last corresponding period, no fair value adjustment was recognized during the period. The Group decided to change the use of certain commercial area of Universal City in China Overseas Plaza in Lanzhou from development for sales to investment property for leasing out to generate rental income in the period. As such, a fair value gain of RMB8.1 million from the reclassification of properties was reported. In addition, the Group also changed the use of two hotels being held namely, Huizhou Tangquan Hotel and Shantou Nanbin Hotel to investment properties for leasing out purpose in the period. The revision of the usage of the properties aligns with the Group's corporate strategic development plan which focuses on the property development business.

REVENUE AND OPERATING RESULTS *(continued)*

Driven by a rise in gross profit, operating profit amounted to RMB4,401.3 million for the current period under review, an increase of 32.8% comparing with the same period last year.

Total interest expenses for the period increased by RMB134.8 million to RMB725.9 million from RMB591.1 million of last corresponding period, mainly driven by the rise in the overall borrowing balances. Finance costs slightly increased to RMB19.5 million from RMB16.2 million of last corresponding period, after capitalization of RMB706.4 million to the on-going development projects.

During the first half of the year, no revenue from property sales was recognized from the Group's associates and thus, share of loss of associates amounted to RMB16.5 million (the corresponding period in 2019, share of profit: RMB1.8 million). On the other hand, share of profit of joint ventures amounted to RMB7.2 million (the corresponding period in 2019: RMB269.0 million), which was mainly derived from the recognition of profit from the property projects located in Hefei.

Income tax expenses comprised enterprise income tax and land appreciation tax. The income tax expenses of the period increased by RMB354.3 million to RMB2,291.1 million, as compared with the same period last year, mainly due to rise in operating profit as driven by the increase in the gross profit. However, the effective tax rate of the period dropped 1.9% compared with the last corresponding period.

For the half year ended 30 June 2020, profit attributable to owners of the Company amounted to RMB2,034.8 million (the corresponding period in 2019: RMB1,582.9 million), an increase of 28.5% against last corresponding period.

LAND BANK

In the first half year, the Group continued to explore cities with growth potential and entered into six new cities, namely Taizhou (Jiangsu province), Zhenjiang (Jiangsu province), Langfang (Hebei province), Tangshan (Hebei province), Jinhua (Zhejiang province) and Zunyi (Guizhou province). Other than enriching land bank with land pieces in the new cities, parcels of land were also replenished in Zibo, Hefei, Huizhou, Yancheng, Lanzhou, Baotou, Xining, Jiujiang, Yinchuan and Shantou. The Group bagged a total of eighteen parcels of land with a total gross floor area of about 4,132,400 sq.m. (attributable to the Group: 3,475,300 sq.m.) for a total consideration of approximately RMB18,594.8 million in the first half of the year. As at 30 June 2020, the gross floor area of total land bank of the Group and its associate in China reached 26,335,400 sq.m., of which, 125,400 sq.m. is held by an associate. The gross floor area of land bank attributable to the Group (including the interests in associates) is 23,659,600 sq.m.. The Group held a land bank distributed among 33 cities as at 30 June 2020.

As announced on 11 August 2020, the Group entered a cooperation agreement with China Overseas Land & Investment Limited ("COLI") to form a joint venture platform for investments in property development projects. The management expects that the Group would achieve a faster development with the support of the major shareholder. The cooperation agreement will be effective mainly subject to the approval by the independent shareholders in the general meeting of shareholders.

SEGMENT INFORMATION

Property Sales and Development

The Group continuously targets at boosting sales and improving the sales-through rate. During the six months ended 30 June 2020, contracted property sales of the Group and its associates and joint ventures amounted to RMB27,867.5 million, representing an increase of 14.5% against the same period last year. The contracted area sold was 2,420,700 sq.m., representing an increase of 2.0% against the same period last year. Of the contracted property sales, RMB1,071.2 million for an aggregated contracted area of 88,000 sq.m. (the corresponding period in 2019: contracted property sales amounted to RMB334.3 million for contracted area of 32,300 sq.m.) was contributed from associates and joint ventures. Besides, as at 30 June 2020, the balance of preliminary sales pending the completion of sales and purchase agreements was RMB1,125.0 million for an aggregated contracted area of 83,700 sq.m..

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Contracted property sales from major projects during the half year ended 30 June 2020:

City	Name of project	Contracted Area (sq.m.)	Amount (RMB Million)
Yancheng	HaiFu Garden#/The Central Mansion#/ The Paragon/Glory Mansion	215,996	3,341.2
Yinchuan	International Community/Mansion Yue	312,901	2,546.1
Yangzhou	Gorgeous Mansion/Upper East/ Eternal Treasure	180,872	2,501.2
Hefei	Central Mansion/Royal Villa/Lakeville/ Coli City	127,102	2,405.1
Huizhou	Riverview Mansion#/Huizhou Tangquan	143,796	1,854.7
Jilin	Overlooking River Mansion/Royal Villa#/ Glorioushire	182,263	1,364.4
Shantou	Golden Coast/La Cite/Platinum Mansion#	131,197	1,160.0
Weifang	Da Guan Tian Xia	185,671	1,135.5
Hohhot	The Premier Mansion/ Zhonghai He Shan Ya Song#/ Zhonghai He Shan Yuan Zhu#	81,738	1,055.4
Quanzhou	Glorious	87,481	1,014.9
Beijing	Maple Palace	15,555	1,001.5
Shaoxing	The Central Mansion	32,939	950.6
Changzhou	Clouds Fairyland	48,113	915.2
Jining	Coli City/Coli Phoenix Community#	68,344	619.3
Nanning	International Community/Harrow Community	59,795	604.9
Xuzhou	The Platinum Pleased Mansion	35,555	594.5
Baotou	Glorioushire	52,275	443.1

Construction work of these projects commenced during the period

During the period, gross floor area of 1,962,300 sq.m. of the Group and its joint ventures' construction sites were completed for occupation and of which, about 90% were sold out by period end. Coupled with stock sales, recognized revenue of the Group was RMB15,980.9 million (the corresponding period in 2019: RMB10,908.7 million), an increase of 46.5% comparing with the same period last year. The revenue for the current period was mainly recognized from the sales of high-rise residential projects. Nevertheless, profit from certain projects with higher gross profit margin was recognized during the last corresponding period and as a result, the gross profit margin of property sales dropped to 32.4% from 34.6% of the last corresponding period.

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

Recognized revenue from major projects during the half year ended 30 June 2020:

City	Name of project	Contracted Area (sq.m.)	Amount (RMB Million)
Weifang	Da Guan Tian Xia	215,770	1,746.1
Xining	Glorioushire	192,356	1,679.1
Ganzhou	One Riverside Park/The Cullinan	96,544	1,453.6
Shantou	La Cite/Golden Coast	132,429	1,415.5
Changzhou	Platinum Mansion	80,667	1,323.1
Yancheng	The Paragon/The Glorious	68,148	1,089.0
Huizhou	Harbour City	76,016	877.1
Yangzhou	Grand Polis/Yangzhou Jiajing	72,983	859.5
Hefei	Coli City	62,483	770.6
Beijing	Maple Palace	9,771	687.0
Yinchuan	International Community	86,683	561.2
Nantong	Upper East	27,081	535.4
Nanning	International Community	36,391	506.5

Continued expanding its operating scale, the Group participated in a property development project in Yancheng City, Jiangsu Province through an associate company during the period. In addition, the Group currently develops two projects in Hefei and Shantou respectively through joint ventures. The project development progress and the returns meet the expectation. During the period, net loss of RMB16.5 million (the corresponding period in 2019 net profit: RMB1.8 million) was recorded from the property sales business of associates while net profit of RMB4.9 million (the corresponding period in 2019: RMB266.9 million) were posted by the property sales business of the joint ventures.

The segment result reached RMB4,404.1 million (the corresponding period in 2019: RMB3,538.9 million) for the period.

SEGMENT INFORMATION *(continued)*

Property Sales and Development *(continued)*

In addition to the projects commenced construction work during the period as mentioned above, the following projects had commenced the construction work in the period:

City	Name of project	Construction commenced
Weifang	The Phoenix (previously named as "Fangzi District Project")	January 2020
Yangzhou	La Rive Gauche (previously named as "Guangling District Project #1" and "Guangling District Project #2")	May 2020
Lanzhou	La Cité (previously named as "Chengguan District Project")	June 2020
Taizhou	The Central Mansion	June 2020

At 30 June 2020, the gross floor area of properties under construction and stock of completed properties of the Group and its associates and joint ventures amounted to 16,962,600 sq.m. and 1,077,700 sq.m. respectively, totaling 18,040,300 sq.m.. Properties with gross floor area of 8,994,200 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

Property Leasing

As announced on 1 April 2020, the Group leased out the four investment properties in Beijing, Lanzhou, Huizhou and Shantou to COLI entirely in the period. While ensuring the stability of the leasing business, it can also draw on the leasing management expertise and resources of COLI to create synergies and therefore, the Group can focus on real estate development business. For the period ended 30 June 2020, rental income amounted to RMB116.4 million (the corresponding period in 2019: RMB115.1 million), a rise of 1.1% comparing with the same period last year.

Profit contribution from a joint venture in the leasing business amounted to RMB2.3 million, same as the last corresponding period. The scientific research office building in Zhang Jiang High-tech Zone in Shanghai, 65% held by the Group, was also fully leased out to COLI in the period.

In total, the segment profit increased by RMB4.8 million to RMB85.1 million from RMB80.3 million of the same period last year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. Currently, the Company and its subsidiaries have gained multiple accesses to funds from both investors and financial institutions in China and international market to meet its requirements for working capital, refinancing and project development.

As at 30 June 2020, net working capital amounted to RMB41,347.4 million (31 December 2019: RMB37,798.4 million), with a quick ratio of 0.5 (31 December 2019: 0.5).

During the six months ended 30 June 2020, the Group secured new credit facilities of approximately RMB14,389.7 million from leading financial institutions. After taking into account drawdowns of RMB12,109.7 million, repayment of loans of RMB6,791.2 million and increase of RMB227.7 million due to translation of Hong Kong Dollar ("HKD") loan during the period, total bank and other borrowings (exclude the guaranteed notes payable of RMB3,593.2 million) increased by RMB5,546.3 million to RMB32,814.4 million as compared to the end of last year.

The total bank and other borrowings included RMB loans of RMB20,561.1 million and HKD loan of HK$13,415.0 million (equivalent to RMB12,253.3 million). As at period end, interests of borrowings amounted to RMB3,160.0 million were charged at fixed rate from 3.8% to 5.2% while the remaining borrowings of RMB29,654.4 million were charged at floating rates with a weighted average of 4.1% per annum. About 64.2% of bank and other borrowings is repayable beyond one year.

In respect of guaranteed notes, the total amortized cost payable of the guaranteed notes amounted to RMB3,593.2 million as at 30 June 2020.

Also, properties sales for the period met the expectation and sales deposits collection was satisfactory. Cash and bank balances plus restricted cash and deposits were at a total of RMB26,336.5 million (31 December 2019: RMB27,426.7 million), decreased by RMB1,090.2 million compared with the last financial year end. Of which, 99.9% is denominated in RMB while the remaining are in HKD and US Dollar.

FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

Along with the continual growth of the business, the net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes payable aforesaid, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, is 48.7% as at 30 June 2020 (31 December 2019: 17.2%). The management closely monitors the financial position of Group to ensure healthy development of the operation scale and business.

Taking into consideration of the unutilized bank credit facilities available to the Group of RMB8,225.1 million, the Group's total available funds (including restricted cash and deposits of RMB9,246.5 million) reached RMB34,561.6 million as at 30 June 2020.

As the impact of the pandemic continues to emerge, coupled with the instability of the international political situation, it is expected that the central government will maintain relative loose monetary policies to ensure economic stability. Focusing on the liquidity risk management, the Group continues to implement centralized management policies in financing and cash management, maintains a good cash flow and minimizes its financial risks to ensure a healthy operation and financial position. The Group continues to fulfill the financial covenants as agreed with different financial institutions and maintains sufficient resources to satisfy its commitment and working capital needs.

The Group has not entered into any financial derivatives for hedging or speculative purpose during the period.

The Group regularly re-evaluates its operational and investment status, monitors the financial market and explores opportunities to invest in property development projects through joint venture model to improve its capital structure continuously.

CHANGE IN PRESENTATION CURRENCY

As the presentation currency has been changed to RMB in 2019 consolidated financial statements, the interim condensed consolidated financial statements also has applied RMB as the presentation currency. The comparative figures (if applicable) in the condensed consolidated financial statements have also been restated accordingly. For further details regarding the change of presentation currency, please refer to note 2 of the condensed consolidated financial statements in this report.

FOREIGN EXCHANGE EXPOSURE

As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in RMB for its property development business in China, the management considered a natural hedge mechanism existed in those operations. As at 30 June 2020, about 56% and 44% (31 December 2019: 52% and 48%) of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and HKD/US Dollar respectively. Hence, taking into account of the debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

The exchange rate of RMB to HKD depreciated around 1.9% in the period and accordingly, the net asset value of the Group decreased by RMB272.7 million which arose from currency translation.

The Group continued to enhance its risk management on foreign currency. After balancing the finance cost and risks, the management optimized the proportion of different currencies in its loan portfolio, in response to changes in market environment. The Group continues to closely monitor the volatility of the RMB exchange rate and, if necessary, will further fine-tune the ratio of RMB and HKD/US Dollar debt to minimize the foreign exchange risk.

COMMITMENTS

As at 30 June 2020, the Group had commitments totaling RMB23,292.2 million which related mainly to land premium, property development and construction works.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling RMB6.2 million approximately during the current period, mainly referred to additions in motor vehicles and furniture, fixtures and office equipment.

On the other hand, as at 30 June 2020, certain property assets in China with aggregate carrying value of RMB9,154.9 million were pledged to obtain RMB5,005.0 million of secured borrowings from certain banks in China for the projects.

EMPLOYEES

As at 30 June 2020, the Group has 3,092 employees (31 December 2019: 2,516). The total staff costs incurred for the period was approximately RMB474.4 million (the corresponding period in 2019: RMB338.2 million). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance. Different trainings and development opportunities continued to be offered to enhance employees' capabilities.

Condensed Consolidated Income Statement

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 and the comparative figures for the corresponding period in 2019 are as follows:

	Notes	Six months ended 30 June **2020** **(Unaudited)** **RMB'000**	 2019 (Unaudited) RMB'000 (Re-presented)
Revenue	4	**16,109,339**	11,057,486
Cost of sales and services provided		**(10,844,524)**	(7,181,779)
Gross profit		**5,264,815**	3,875,707
Other income	6	**166,109**	181,090
Distribution and selling expenses		**(553,044)**	(394,380)
Administrative expenses		**(475,492)**	(345,815)
Other operating expenses		**(9,199)**	(2,762)
Other gains or losses			
Fair value gain on reclassification of inventories of properties to investment properties	23(b)	**8,123**	–
Gain on disposal of investment properties		**–**	2,300
Change in fair value of a derivative financial instrument	16	**–**	(1,930)
Operating profit		**4,401,312**	3,314,210
Finance costs	7	**(19,500)**	(16,248)
Share of results of associates		**(16,482)**	1,813
Share of results of joint ventures		**7,174**	269,015
Profit before income tax	8	**4,372,504**	3,568,790
Income tax expense	9	**(2,291,114)**	(1,936,781)
Profit for the period		**2,081,390**	1,632,009
Profit for the period attributable to:			
Owners of the Company		**2,034,792**	1,582,886
Non-controlling interests		**46,598**	49,123
		2,081,390	1,632,009
		RMB Cents	RMB Cents (Re-presented)
Earnings per share	11		
Basic		**59.4**	46.2
Diluted		**59.4**	46.2

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Profit for the period	**2,081,390**	1,632,009
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation into presentation currency	**(272,694)**	(60,856)
Other comprehensive income for the period, net of tax	**(272,694)**	(60,856)
Total comprehensive income for the period	**1,808,696**	1,571,153
Total comprehensive income attributable to:		
Owners of the Company	**1,762,098**	1,522,030
Non-controlling interests	**46,598**	49,123
	1,808,696	1,571,153

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Assets and liabilities			
Non-current assets			
Investment properties	23(b)	**3,348,226**	2,744,787
Property, plant and equipment	12	**825,275**	1,090,024
Right-of-use assets	23(b)	**213,431**	348,544
Interests in associates		**36,817**	46,299
Interests in joint ventures		**701,550**	901,626
Financial assets at fair value through other comprehensive income		**1,000**	1,000
A derivative financial instrument	16	**–**	–
Deferred tax assets		**631,563**	609,534
		5,757,862	5,741,814
Current assets			
Inventories of properties		**95,342,292**	86,397,320
Other inventories		**14,405**	4,269
Contract assets		**69,732**	49,732
Trade and other receivables, prepayments and deposits	13	**18,541,770**	11,867,467
Amounts due from associates		**281,420**	60,436
Amount due from a joint venture		**–**	479
Amounts due from non-controlling interests		**529,471**	581,245
Amount due from a related company		**–**	171,543
Tax prepaid		**2,655,946**	1,796,235
Restricted cash and deposits		**9,246,487**	10,671,299
Cash and bank balances		**17,090,019**	16,755,435
		143,771,542	128,355,460
Current liabilities			
Trade and other payables	14	**12,924,512**	11,989,788
Contract liabilities		**63,609,748**	54,618,728
Amounts due to associates		**60,490**	63,823
Amounts due to joint ventures		**514,574**	815,126
Amounts due to non-controlling interests		**3,704,943**	5,082,077
Amounts due to related companies		**78,390**	379,230
Lease liabilities		**8,534**	11,570
Guaranteed notes payable	17	**3,593,238**	–
Taxation liabilities		**6,198,111**	5,940,199
Borrowings	15	**11,731,590**	11,656,478
		102,424,130	90,557,019
Net current assets		**41,347,412**	37,798,441
Total assets less current liabilities		**47,105,274**	43,540,255

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Non-current liabilities			
Borrowings	15	**21,082,847**	15,611,683
Lease liabilities		**21,261**	24,588
Guaranteed notes payable	17	**–**	3,521,449
Deferred tax liabilities		**2,962,359**	2,869,227
		24,066,467	22,026,947
Net assets		**23,038,807**	21,513,308
Capital and reserves			
Share capital	18	**5,579,100**	5,579,100
Reserves		**15,120,628**	13,966,227
Equity attributable to owners of the Company		**20,699,728**	19,545,327
Non-controlling interests		**2,339,079**	1,967,981
Total equity		**23,038,807**	21,513,308

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							
	Share capital RMB'000 (Re-presented)	Translation reserve RMB'000 (Re-presented)	Assets revaluation reserve RMB'000 (Re-presented)	Statutory reserve RMB'000 (Re-presented)	Retained profits RMB'000 (Re-presented)	Total RMB'000 (Re-presented)	Non-controlling interests RMB'000 (Re-presented)	Total equity RMB'000 (Re-presented)
At 1 January 2019 (Audited)	5,579,100	(585,283)	30,075	1,064,499	10,951,985	17,040,376	727,591	17,767,967
Profit for the period	–	–	–	–	1,582,886	1,582,886	49,123	1,632,009
Exchange differences arising from translation into presentation currency	–	(60,856)	–	–	–	(60,856)	–	(60,856)
Total comprehensive income for the period	–	(60,856)	–	–	1,582,886	1,522,030	49,123	1,571,153
Contributions from non-controlling interests	–	–	–	–	–	–	41,943	41,943
2018 final dividend approved (note 10)	–	–	–	–	(337,514)	(337,514)	–	(337,514)
Transactions with owners	–	–	–	–	(337,514)	(337,514)	41,943	(295,571)
At 30 June 2019 (Unaudited)	5,579,100	(646,139)	30,075	1,064,499	12,197,357	18,224,892	818,657	19,043,549

	Attributable to owners of the Company							
	Share capital RMB'000	**Translation reserve* RMB'000**	**Assets revaluation reserve* RMB'000**	**Statutory reserve* RMB'000**	**Retained profits* RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2020 (Unaudited)	**5,579,100**	**(888,034)**	**30,075**	**1,370,803**	**13,453,383**	**19,545,327**	**1,967,981**	**21,513,308**
Profit for the period	**–**	**–**	**–**	**–**	**2,034,792**	**2,034,792**	**46,598**	**2,081,390**
Exchange differences arising from translation into presentation currency	**–**	**(272,694)**	**–**	**–**	**–**	**(272,694)**	**–**	**(272,694)**
Total comprehensive income for the period	**–**	**(272,694)**	**–**	**–**	**2,034,792**	**1,762,098**	**46,598**	**1,808,696**
Dividend attributable to non-controlling interests (note 22(b))	**–**	**–**	**–**	**–**	**–**	**–**	**(184,000)**	**(184,000)**
Contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**508,500**	**508,500**
2019 final dividend approved (note 10)	**–**	**–**	**–**	**–**	**(607,697)**	**(607,697)**	**–**	**(607,697)**
Transactions with owners	**–**	**–**	**–**	**–**	**(607,697)**	**(607,697)**	**324,500**	**(283,197)**
At 30 June 2020 (Unaudited)	**5,579,100**	**(1,160,728)**	**30,075**	**1,370,803**	**14,880,478**	**20,699,728**	**2,339,079**	**23,038,807**

* The total of these equity accounts at the end of the reporting period represents "Reserves" in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June **2020** **(Unaudited)** **RMB'000**	 2019 (Unaudited) RMB'000 (Re-presented)
Net cash used in operating activities		**(2,766,639)**	(5,285,014)
Investing activities			
Interest received		**140,587**	211,694
Purchase of property, plant and equipment	12	**(6,162)**	(30,832)
Addition of investment properties		**(207,362)**	–
Dividend received from a joint venture		**3,250**	–
Capital injection in an associate		**(7,000)**	–
Increase in amounts due from associates		**(220,984)**	(38)
Decrease in amount due from a joint venture		**479**	–
Increase in amounts due from non-controlling interests		**(132,226)**	(82,065)
Decrease in amount due from a related company		**171,543**	–
Proceeds from disposal of property, plant and equipment		**–**	499
Proceeds from disposal of investment properties		**–**	14,353
Decrease in short-term time deposits with maturity beyond three months but within one year		**–**	2,600,388
Net cash (used in)/from investing activities		**(257,875)**	2,713,999
Financing activities			
New borrowings		**12,109,673**	5,770,313
Repayment of borrowings		**(6,791,180)**	(2,460,060)
Redemption of guaranteed notes	17	**–**	(2,719,792)
Payment of principal element of leases		**(6,414)**	(4,993)
Finance costs paid		**(724,121)**	(648,811)
Advances from non-controlling interests		**713,239**	1,140,160
Repayments to non-controlling interests		**(2,090,373)**	(867,190)
Advances from associates		**–**	17,867
Repayments to associates		**(3,333)**	(54)
Repayments to joint ventures		**(96,552)**	(13,360)
Repayment to a related company		**(300,000)**	–
Contributions from non-controlling interests		**508,500**	41,943
Net cash from financing activities		**3,319,439**	256,023
Net increase/(decrease) in cash and cash equivalents		**294,925**	(2,314,992)
Cash and cash equivalents at the beginning of period		**16,755,435**	19,058,980
Effect of foreign exchange rate changes on cash and cash equivalents		**39,659**	9,365
Cash and cash equivalents at the end of period		**17,090,019**	16,753,353
Analysis of balances of cash and cash equivalents:			
Cash and bank balances as stated in the condensed consolidated statement of financial position		**17,090,019**	17,279,557
Less: Short-term time deposits with maturity beyond three months but within one year		**–**	(526,204)
Cash and cash equivalents at the end of period		**17,090,019**	16,753,353

Notes to the Condensed Financial Statements

1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the "Company") is a limited liability company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on the Stock Exchange. The address of the Company's registered office and principal place of business is Suites 701–702, 7/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

The principal activities of the Group mainly comprise property investment and development, property leasing and investment holding. The Group's business activities are principally carried out in certain regions in the PRC such as Hefei, Huizhou, Jilin, Quanzhou, Shantou, Yancheng, Yangzhou and Yinchuan.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The Interim Financial Statements are presented in Renminbi ("RMB"), unless otherwise stated.

The financial information relating to the year ended 31 December 2019 that is included in this half-year interim report 2020 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

1. GENERAL INFORMATION *(continued)*

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 17 August 2020.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are stated at fair value.

(a) Change of presentation currency

As reported in the Group's annual financial statements for the year ended 31 December 2019, the Group's business activities are mainly conducted in the PRC and the functional currency of those operating subsidiaries in the PRC is RMB. Having considered that most of the Group's transactions are denominated and settled in RMB and the change in the presentation currency could reduce the impact of any fluctuations in the exchange rate of Hong Kong dollar ("HK$") against RMB on the consolidated financial statements of the Group, which is not due to the operations and beyond the control of the Group, thus enabling the shareholders of the Company to have a more accurate picture of the Group's financial performance, the Company changed the presentation currency from HK$ to RMB for the preparation of the Group's consolidated financial statements.

The change in presentation currency of the Interim Financial Statements has been accounted for in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The comparative figures for the period ended 30 June 2019 in the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows set out in the Interim Financial Statements have been re-presented in RMB accordingly.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Change of presentation currency *(continued)*

The following methodology has been used to re-present the comparative figures, including those in the disclosure notes, for the six months ended 30 June 2019, originally reported in HK$, in RMB:

(i) income and expenditure denominated in non-RMB currencies have been translated at the average rates of exchange prevailing for the relevant period;

(ii) share capital and other reserves were translated at applicable historical rates; and

(iii) all resulting exchange differences have been recognized in other comprehensive income.

(b) Income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Save as described in above and note 3 "Adoption of Hong Kong Financial Reporting Standards ("HKFRS")", the accounting policies used in preparing the Interim Financial Statements are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

3. ADOPTION OF HKFRS

3.1 Adoption of new or revised HKFRS — effective 1 January 2020

The HKICPA has issued the following new HKFRS or amendments to HKFRS that are first effective for the current accounting period of the Group and the Company:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new HKFRS and amendments to HKFRS in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these Interim Financial Statements.

3.2 New or revised HKFRS that have been issued but not yet effective

The following new or revised standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]

[1] No mandatory effective date yet determined but available for adoption.

The Group has not applied any new or revised standards that have been issued but are not yet effective for the current accounting period. Those new or revised HKFRS that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

4. REVENUE

The principal activities of the Group are disclosed in note 1. Revenue from the Group's principal activities recognized during the period is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Sales of properties	**15,980,943**	10,908,727
Property rental income	**116,367**	115,056
Hotel and other services income	**12,029**	33,703
Total revenue	**16,109,339**	11,057,486

5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following two reportable segments and other segment for its operating segments:

Property investment and development	—	This segment constructs residential and commercial properties in the PRC. Part of the business is carried out through associates and joint ventures.
Property leasing	—	This segment mainly holds commercial units located in the PRC for leasing to generate rental income and gain from appreciation in the properties' values in the long-term. Part of the business is carried out through a joint venture.
Other segment	—	This segment engages in hotel operations and generates service fee income in relation to hotel operation and other ancillary services.

5. SEGMENT INFORMATION *(continued)*

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between different operating segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Reportable segment profit/loss excludes corporate income and expenses and finance costs from the Group's profit before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain cash and bank balances and other assets which are not directly attributable to the business activities of the operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to associates, joint ventures and non-controlling interests and other liabilities directly attributable to the business activities of the operating segments and exclude tax liabilities, corporate liabilities and liabilities such as borrowings, amounts due to related companies, lease liabilities and guaranteed notes payable that are managed on a group basis.

5. SEGMENT INFORMATION *(continued)*

Information regarding the Group's reportable segments including the reportable segment revenue, reportable segment profit/loss, segment assets, segment liabilities and reconciliations to revenue, profit before income tax, total consolidated assets and total consolidated liabilities are as follows:

	Property investment and development RMB'000	Property leasing RMB'000	Other segment RMB'000	Consolidated RMB'000
Six months ended 30 June 2020 (Unaudited)				
Revenue from contracts with customers disaggregated by timing of revenue recognition	15,980,943	–	12,029	15,992,972
— Goods transferred at a point in time	12,987,238	–	–	12,987,238
— Goods transferred over time	2,993,705	–	–	2,993,705
— Services transferred over time	–	–	12,029	12,029
Revenue from other sources: rental income	–	116,367	–	116,367
Reportable segment revenue	15,980,943	116,367	12,029	16,109,339
Reportable segment profit/(loss)	4,404,072	85,090	(45,202)	4,443,960
Corporate income				5,758
Change in fair value of a derivative financial instrument				–
Finance costs				(19,500)
Other corporate expenses				(57,714)
Profit before income tax				4,372,504
As at 30 June 2020 (Unaudited)				
Reportable segment assets	141,774,421	3,564,961	656,096	145,995,478
Tax assets				3,287,509
Corporate assets^				246,417
Total consolidated assets				149,529,404
Reportable segment liabilities	80,050,930	114,553	1,020	80,166,503
Tax liabilities				9,160,470
Borrowings				32,814,437
Amounts due to related companies				78,390
Lease liabilities				29,795
Guaranteed notes payable				3,593,238
Other corporate liabilities				647,764
Total consolidated liabilities				126,490,597

5. SEGMENT INFORMATION *(continued)*

	Property investment and development RMB'000	Property leasing RMB'000	Other segment RMB'000	Consolidated RMB'000
Six months ended 30 June 2019 (Unaudited and re-presented)				
Revenue from contracts with customers disaggregated by timing of revenue recognition	10,908,727	–	33,703	10,942,430
— Goods transferred at a point in time	8,463,024	–	–	8,463,024
— Goods transferred over time	2,445,703	–	–	2,445,703
— Services transferred over time	–	–	33,703	33,703
Revenue from other sources: rental income	–	115,056	–	115,056
Reportable segment revenue	10,908,727	115,056	33,703	11,057,486
Reportable segment profit/(loss)	3,538,863	80,253	(7,401)	3,611,715
Corporate income				6,875
Change in fair value of a derivative financial instrument				(1,930)
Finance costs				(16,248)
Other corporate expenses				(31,622)
Profit before income tax				3,568,790
As at 31 December 2019 (Audited)				
Reportable segment assets	126,820,483	2,945,112	1,086,185	130,851,780
Tax assets				2,405,769
Corporate assets^				839,725
Total consolidated assets				134,097,274
Reportable segment liabilities	72,380,346	89,740	16,788	72,486,874
Tax liabilities				8,809,426
Borrowings				27,268,161
Amounts due to related companies				379,230
Lease liabilities				36,158
Guaranteed notes payable				3,521,449
Other corporate liabilities				82,668
Total consolidated liabilities				112,583,966

^ Corporate assets as at 30 June 2020 mainly included property, plant and equipment, right-of-use assets and cash and bank balances of RMB110,389,000 (31 December 2019: RMB114,851,000), RMB96,159,000 (31 December 2019: RMB100,137,000) and RMB38,445,000 (31 December 2019: RMB471,055,000) respectively which were managed on a group basis.

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Total interest income on financial assets measured at amortized cost:		
Bank deposits and others (note)	**140,600**	163,494
Sundry income	**25,509**	17,596
	166,109	181,090

Note: For the six months ended 30 June 2020, no interest income on amount due from a joint venture. For the six months ended 30 June 2019, the amounts included interest income on amount due from a joint venture of RMB6,355,000.

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Interests on borrowings, guaranteed notes payable and others (note)	**724,211**	589,457
Interests on amounts due to related companies	**1,681**	1,681
Total interest expense on financial liabilities measured at amortized cost	**725,892**	591,138
Less: Amount capitalized	**(706,392)**	(574,890)
	19,500	16,248

Note: For the six months ended 30 June 2020, the amounts included interests on lease liabilities of RMB516,000. For the six months ended 30 June 2019, the amounts included interests on amounts due to non-controlling interests and lease liabilities of RMB1,649,000 and RMB560,000 respectively.

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Intangible assets #	**–**	1,938
Depreciation:		
Property, plant and equipment	**47,629**	18,093
Right-of-use assets	**10,511**	9,245
Total amortization and depreciation	**58,140**	29,276
Gain on disposal of property, plant and equipment	**–**	(358)
Staff costs	**474,369**	338,155
Net foreign exchange loss/(gain)*	**4,404**	(1,321)

included in "Cost of sales and services provided" in the condensed consolidated income statement

* included in "Administrative expenses" in the condensed consolidated income statement

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Current tax for the period		
Other regions of the PRC		
— Enterprise income tax ("EIT")	**1,082,783**	817,838
— Land appreciation tax ("LAT")	**1,135,654**	1,273,383
	2,218,437	2,091,221
Under provision in prior years		
Other regions of the PRC	**1,573**	4,876
Deferred tax	**71,104**	(159,316)
	2,291,114	1,936,781

No Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profits in Hong Kong for the current period and the same period last year.

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2019: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2019: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

10. DIVIDENDS

The Board has declared that an interim dividend of HK$0.07 (six months ended 30 June 2019: HK$0.06) per share, amounting to HK$239,635,000, equivalent to approximately RMB214,458,000 (six months ended 30 June 2019: HK$205,402,000, equivalent to approximately RMB184,465,000), will be paid to the shareholders of the Company whose names appear in the Register of Members on 25 September 2020.

At the reporting date, a dividend of HK$0.195 per share, amounting to HK$667,555,000, equivalent to approximately RMB607,697,000 was recognized as distribution of the final dividend for the financial year ended 31 December 2019. At 30 June 2019, a dividend of HK$0.112 per share, amounting to HK$383,416,000, equivalent to approximately RMB337,514,000 was recognized as distribution of the final dividend for the financial year ended 31 December 2018.

11. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to owners of the Company are based on the following data:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Earnings		
Profit for the period attributable to owners of the Company	**2,034,792**	1,582,886

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the period	**3,423,360**	3,423,360

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2020 and 2019 as there have been no dilutive potential ordinary shares in existence during both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred capital expenditure of approximately RMB5,355,000 in furniture, fixtures and office equipment and approximately RMB807,000 in motor vehicles.

During the six months ended 30 June 2020, the Group reclassified buildings with net carrying value of RMB222,688,000 from property, plant and equipment to investment properties (note 23(b)). No fair value change was recognized on the date of reclassification.

During the six months ended 30 June 2019, the Group incurred capital expenditure of approximately RMB28,477,000 to additions in hotel construction in progress, approximately RMB2,287,000 in furniture, fixtures and office equipment, approximately RMB45,000 in motor vehicles and approximately RMB23,000 in leasehold improvement.

13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables	**63,920**	16,826
Less: Loss allowance for impairment of trade receivables	**–**	–
Trade receivables, net (note (a))	**63,920**	16,826
Other receivables	**5,474,246**	3,153,957
Prepayments and deposits	**13,009,604**	8,702,684
Less: Loss allowance for impairment of other receivables (note (b))	**(6,000)**	(6,000)
	18,541,770	11,867,467

13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Notes:

(a) The ageing analysis of the Group's trade receivables net of loss allowance for impairment, based on invoice date or when appropriate, date of transfer of property, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
30 days or below	**14,186**	10,407
31–60 days	**557**	236
61–90 days	**40,690**	166
91–180 days	**1,225**	27
181–360 days	**2,142**	489
Over 360 days	**5,120**	5,501
	63,920	16,826

The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. Rentals receivable from tenants and service income receivable from customers are generally due on presentation of invoices.

As at 30 June 2020, no material provision was made against the gross amount of trade receivables, other receivables and contract assets.

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. Trade receivables which are neither past due nor impaired at the end of the reporting period relate to a large number of unrelated customers who did not have a recent history of default. Accordingly, no impairment provision is necessary in respect of these receivables.

(b) The movements in the loss allowance for other receivables during the period/year are as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
At the beginning and the end of the period/year	**6,000**	6,000

14. TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	**10,186,552**	10,153,883
Other payables and accruals	**1,862,950**	1,573,573
Dividend payables	**609,751**	–
Deposits received	**265,259**	262,332
	12,924,512	11,989,788

The ageing analysis of the Group's trade payables based on invoice date or contract terms, where appropriate, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
30 days or below	**3,599,786**	2,919,207
31–60 days	**252,018**	695,632
61–90 days	**287,500**	317,989
91–180 days	**853,783**	1,128,954
181–360 days	**2,022,471**	1,350,838
Over 360 days	**3,170,994**	3,741,263
	10,186,552	10,153,883

15. BORROWINGS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current liabilities		
Bank borrowings	**10,711,590**	11,496,478
Other loans	**1,020,000**	160,000
	11,731,590	11,656,478
Non-current liabilities		
Bank borrowings	**20,602,847**	14,471,683
Other loans	**480,000**	1,140,000
	21,082,847	15,611,683
	32,814,437	27,268,161

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Analyzed into:		
Bank borrowings		
Secured (note 19)	**5,005,000**	129,000
Unsecured	**26,309,437**	25,839,161
	31,314,437	25,968,161
Other loans		
Unsecured	**1,500,000**	1,300,000
	32,814,437	27,268,161

15. BORROWINGS *(continued)*

Bank borrowings were scheduled for repayment as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
On demand or within one year	**10,711,590**	11,496,478
More than one year, but not exceeding two years	**5,373,935**	5,862,148
More than two years, but not exceeding five years	**15,228,912**	8,609,535
	31,314,437	25,968,161

Other loans were scheduled for repayment as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
On demand or within one year	**1,020,000**	160,000
More than one year, but not exceeding two years	**320,000**	820,000
More than two years, but not exceeding five years	**160,000**	320,000
	1,500,000	1,300,000

15. BORROWINGS *(continued)*

As at 30 June 2020, borrowings amounting to RMB29,654,437,000 (31 December 2019: RMB25,968,161,000) have been arranged at annual floating rates from 2.10% to 5.28% (31 December 2019: 3.45% to 5.23%) while the remaining balance of RMB3,160,000,000 (31 December 2019: RMB1,300,000,000) have been arranged at annual fixed rates of 3.80% to 5.23% (31 December 2019: 3.80% to 5.23%).

The carrying amounts of borrowings are denominated in the following currencies:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
HK$	**12,253,380**	10,960,315
RMB	**20,561,057**	16,026,560
United States Dollars ("US$")	**–**	281,286
	32,814,437	27,268,161

16. A DERIVATIVE FINANCIAL INSTRUMENT

As at 31 December 2019, the Group had an interest rate swap contract with notional amount of US$40,000,000 to swap the interest rate of floating basis of 3-month London Interbank Offered Rate plus 1.515% to fixed rate at 3.2% per annum. The fair value of the interest rate swap contract as at 31 December 2019 as assessed by the director was nil. The contract ended at 6 January 2020, the maturity date stipulated on the contract.

During the six months ended 30 June 2020, no fair value change was recognized on derivative financial instrument. During the six months ended 30 June 2019, fair value loss of a derivative financial instrument amounting to RMB1,930,000 was recognized in condensed consolidated income statement.

17. GUARANTEED NOTES PAYABLE

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current liabilities		
Guaranteed notes payable	**3,593,238**	–
Non-current liabilities		
Guaranteed notes payable	**–**	3,521,449
	3,593,238	3,521,449

The movements of the carrying amount of the guaranteed notes payable are set out as below:

	RMB'000
Carrying amount as at 1 January 2019 (Audited)	6,252,285
Imputed interest expense (Audited)	182,020
Finance costs paid (Audited)	(238,930)
Redemption of guaranteed notes (Audited)	(2,719,792)
Translation adjustment (Audited)	45,866
Carrying amount as at 31 December 2019 (Audited) and 1 January 2020 (Unaudited)	**3,521,449**
Imputed interest expense (Unaudited)	**89,223**
Finance costs paid (Unaudited)	**(86,612)**
Translation adjustment (Unaudited)	**69,178**
Carrying amount as at 30 June 2020 (Unaudited)	**3,593,238**

18. SHARE CAPITAL

	Number of ordinary shares '000	Carrying amount RMB'000
Issued and fully paid		
Balance at 1 January 2019 (Audited), 31 December 2019 (Audited), 1 January 2020 (Unaudited) and 30 June 2020 (Unaudited)	**3,423,360**	**5,579,100**

19. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure borrowings and banking facilities granted to the Group are analyzed as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Inventories of properties pledged for borrowings and banking facilities of the Group	**9,154,938**	1,416,589

20. COMMITMENTS

At the end of each reporting period, the Group had significant commitments as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted for but not provided for in the financial statements:		
— Acquisition of land	**6,088,062**	1,296,490
— Property development	**16,349,221**	14,803,485
Authorized but not contracted for:		
— Acquisition of land	**854,890**	1,621,172

21. CONTINGENT LIABILITIES

(a) Guarantees

At the end of each reporting period, the Group had issued the following significant guarantees:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Guarantees given to:		
Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	**31,468,149**	30,453,627

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

21. CONTINGENT LIABILITIES *(continued)*

(b) As disclosed in note 47(b) to the 2019 financial statements, the construction work of certain land parcels in Jiujiang owned by the Group's subsidiaries were behind the stipulated development timelines. As of the date of this report, the progress of the project development has not changed significantly since the end of last year.

The directors estimated that the maximum amount of penalty and liquidated damages as at 30 June 2020 would not be more than approximately RMB468 million (31 December 2019: RMB423 million), which was quantified based on the relevant regulations and terms included in the land transfer agreements. The carrying amount of the concerned land parcels is RMB2,039 million (31 December 2019: RMB2,039 million) as of 30 June 2020.

Having regard to their past experiences in handling similar matter, the latest local development and the latest project status, together with the application of extending the commencement dates of construction works submitted and the recent communications with relevant local government authorities on the updated position of the project, the directors considered that the risk of confiscation of the concerned land parcels as well as penalty and liquidated damages exposed by the project companies in Jiujiang is low.

Having regard to the nature and latest development of the projects concerned, the directors are of the opinion that no non-conformity instance would have material impact on the result and financial position of the Group.

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

(a) During the six months ended 30 June 2020, the amount of dividend from a joint venture amounting to RMB204,000,000 was debited to the amounts due to joint ventures.

(b) During the six months ended 30 June 2020, the entire amount of dividend attributable to non-controlling interests amounting to RMB184,000,000 was credited to the amounts due from non-controlling interests.

23. RELATED PARTY TRANSACTIONS

(a) On 27 February 2020, the Company and Hua Yi Design Consultants Limited ("Huayi Design"), a wholly-owned subsidiary of China Overseas Land & Investment Limited ("COLI"), entered into a framework agreement, pursuant to which the Group may engage Huayi Design and its subsidiaries (the "Huayi Design Group") to provide design services to the Group's property development projects in PRC upon successful tender awarded to the Huayi Design Group. The framework agreement has a term of period commencing from 1 March 2020 and ending on 31 December 2022. The Company is an associate of COLI.

The maximum total contract sum that may be awarded by the Group to the Huayi Design Group for the period from 1 March 2020 to 31 December 2020, each of the two years ending 31 December 2022 shall not exceed RMB30 million, RMB40 million and RMB50 million respectively.

Further details regarding the transaction of design service have been set out in the announcement of the Company dated 27 February 2020.

During the six months ended 30 June 2020, contract with contract sum amounting to RMB6,436,000 was awarded by the Group to the Huayi Design Group under the relevant framework agreement.

23. RELATED PARTY TRANSACTIONS *(continued)*

(b) On 1 April 2020, the lessors, each being a subsidiary of the Company, entered into the property lease agreements with the relevant lessees, each being a subsidiary of COLI, for the period of three years for four properties located in Beijing, Lanzhou, Huizhou and Shantou (the "Four Property Lease Agreements").

The cap of amounts that may be received by the Group under the Four Property Lease Agreements are as follows:

		Financial Year Ending 31 December			
Property	Lease Term/Expected Lease Term	2020	2021	2022	2023
		RMB	RMB	RMB	RMB
Beijing China Overseas International Center *(北京中海國際中心)	1 April 2020 to 31 March 2023	120,150,000	163,800,000	168,712,500	42,487,500
Lanzhou Universal City* (蘭州環宇城)	25 December 2020 to 24 December 2023	–	34,000,000	44,000,000	48,000,000
Huizhou Tangquan Hotel *(惠州湯泉酒店)	1 May 2020 to 30 April 2023	4,800,000	7,333,300	7,533,300	2,533,300
Shantou Nanbin Hotel *(汕頭南濱酒店)	1 May 2020 to 30 April 2023	6,113,300	9,356,700	9,636,700	3,243,300
Total		131,063,300	214,490,000	229,882,500	96,264,100

* English translation is for identification only

Further details regarding the transaction of the rental abovementioned have been set out in the announcement of the Company dated 1 April 2020.

23. RELATED PARTY TRANSACTIONS *(continued)*

(b) *(continued)*

During the six months ended 30 June 2020, the amount to be received from the Four Property Lease Agreements included rental income of RMB40,741,300 and value added tax of RMB2,037,000, totalling RMB42,778,300.

Along with the lease arrangement under the Four Property Lease Agreements, the Group reclassified inventories of properties, right-of-use assets and property, plant and equipment with net carrying value of RMB40,615,000, RMB124,651,000 and RMB222,688,000 respectively, to investment properties. For the six months ended 30 June 2020, fair value gain on reclassification of inventories of properties to investment properties of RMB8,123,000 was recognized in condensed consolidated income statement.

As disclosed in note 48(b) to the 2019 financial statements, the Group entered into tenancy agreements (the "2017 Tenancy Agreements") on 28 July 2017 with certain subsidiaries of COLI for a term of three years commenced from 1 August 2017 and ending on 31 July 2020. Since 1 April 2020, the 2017 Tenancy Agreements were consolidated into the relevant agreement for the property in Beijing of the Four Property Lease Agreements. During the six months ended 30 June 2020, total rental income from the 2017 Tenancy Agreements is RMB3,668,000 (six months ended 30 June 2019: RMB7,336,000).

(c) On 24 April 2020, the Company and China State Construction International Holdings Limited ("CSC") entered into a master agreement, pursuant to which the Group may engage CSC and its subsidiaries (excluding any listed subsidiaries) (the "CSC Group") as construction contractor for the Group's construction works in the PRC upon the CSC Group's successful tender. The master agreement has a term of one year commencing from 1 July 2020 and ending on 30 June 2021. China Overseas Holdings Limited ("COHL") is the controlling shareholder of both the Company and CSC.

The maximum total contract sum that may be awarded by the Group to the CSC Group for the period from 1 July 2020 to 31 December 2020 and for the period from 1 January 2021 to 30 June 2021 shall not exceed HK$1,000 million and HK$500 million respectively.

23. RELATED PARTY TRANSACTIONS *(continued)*

(d) Save as disclosed elsewhere in these condensed financial statements, the Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Re-presented)
Nature of transactions		
COLI and its subsidiaries		
Royalty expenses	**160,570**	110,238
Rental income (note 23(b))	**44,409**	7,336
COPH (note (i)) and its subsidiaries		
Property management fee expenses	**48,795**	30,992
CSCD (note (ii)) and its subsidiaries		
Construction supervision expenses	**16,774**	8,968
PRC government departments/agencies		
Land use rights acquisitions	**18,594,824**	15,641,671
Key management (including directors)		
Remuneration	**6,088**	5,572

Notes:

(i) China Overseas Property Holdings Limited ("COPH") is a fellow subsidiary of COLI.

(ii) COHL is the controlling shareholder of both the Company and China State Construction Development Holdings Limited ("CSCD").

24. FAIR VALUE MEASUREMENT

(a) Financial instruments

The fair value of the financial assets at fair value through other comprehensive income as at 30 June 2020 are level 3 recurring fair value measurements respectively and determined using the same approach as the last year end.

During the six months ended 30 June 2020, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

Financial instruments not measured at fair value include trade and other receivables, balances with associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payables, other payables and accruals, lease liabilities, borrowings and guaranteed notes payable.

Due to their short-term nature, the carrying values of trade and other receivables, balances with associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payable, other payables and accruals, current borrowings and guaranteed notes payable approximate their fair values.

For disclosure purpose, the fair value of non-current borrowings and guaranteed notes payable are not materially different from their carrying values. Those fair values have been determined using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risks of the Group.

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2020 is a level 3 recurring fair value measurement and determined using the same approach as the last year end. During the six months ended 30 June 2020, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

25. EVENTS AFTER THE REPORTING DATE

On 11 August 2020, the Board announced that, the Company, COLI and Ocean Continent Investments Limited (the "JV Company"), being an indirect wholly-owned subsidiary of the Company as at the date of that announcement, entered into the joint venture agreement, pursuant to which the Company agreed to procure China Overseas Grand Oceans Investments Limited ("COGO Nominee"), a direct wholly-owned subsidiary of the Company and COLI agreed to procure Ling Feng Limited ("COLI Nominee"), an indirect wholly-owned subsidiary of COLI to subscribe for an additional fifty ordinary shares and forty nine ordinary shares of the JV Company respectively. Following the completion of the subscriptions, the JV Company will be owned as to 51% and 49% by COGO Nominee and COLI Nominee respectively, and the JV Company will be accounted for as a subsidiary of the Company and its accounts will be consolidated with those of the Group.

The JV Company and its subsidiaries (the "JV Group") shall be principally engaged in the acquisition or sale of any land and properties in the PRC; the acquisition, holding or sale of the holding companies of such land and properties; and the construction, completion and disposal or dealing with the property developments on such land. The total commitment of the Group (other than the JV Group) and COLI and its subsidiaries from time to time provided to the JV Group shall not exceed HK$20 billion, equivalent to approximately RMB18.2 billion.

The above transaction is subject to approval by the independent shareholders of the Company in the forthcoming general meeting. Further details regarding the transaction have been set out in the announcement of the Company dated 11 August 2020.

Others

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

After reviewing the working capital requirements for the Group's future expansion of its business, the board of directors of the Company (the "Board") declared an interim dividend of HK7 cents per share (2019: HK6 cents per share) for the six months ended 30 June 2020. The interim dividend will be payable in cash.

Relevant Dates for Interim Dividend Payment

Ex-dividend date	23 September 2020
Latest time to lodge transfer documents for registration with the Company's share registrar	At 4:30 p.m. on 24 September 2020
Closure of Register of Members	25 September 2020
Record date	25 September 2020
Despatch of dividend warrants	15 October 2020

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Company's share registrar at Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than the aforementioned latest time.

SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2020 was 3,423,359,841 ordinary shares.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a set of code of conduct for securities transactions by directors of the Company (the "Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

Having made specific inquiries to all directors of the Company, the Company can reasonably confirm that they have complied with the Code of Conduct throughout the six months ended 30 June 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2020, directors and chief executive of the Company, and their respective associates had the following interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in Shares of the Company

Name of Directors	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue (Note 1)
Mr. Yang Lin	Beneficial owner	Personal	2,550,000	2,896,125	0.08%
	Interest of spouse	Family	346,125		
Mr. Yung Kwok Kee, Billy	Beneficial owner	Personal	17,849,999	463,045,980	13.53%
	Beneficiary of a trust (Note 2)	Other	382,617,689		
	Interest of controlled corporation (Note 3)	Interest in controlled corporation	62,578,292		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	544,875	544,875	0.02%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(continued)*

Long Positions in Shares of the Company *(continued)*

Notes:

1. *The percentage is based on the total number of shares of the Company in issue as at 30 June 2020 (i.e. 3,423,359,841 shares of the Company).*

2. *These shares of the Company are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.*

3. *These shares of the Company are held by Extra-Fund Investment Limited, a wholly-owned subsidiary of Shell Electric Holdings Limited, which in turn is owned as to 80.45% by Red Dynasty Investments Limited, a company wholly-owned by Mr. Yung Kwok Kee, Billy.*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any directors or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. None of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 30 June 2020, any interests in, or had been granted any rights to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, the following persons (other than the directors or chief executive of the Company) had interested in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholders	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue (Note 1)
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation (Note 2)	Interest in controlled corporation	1,311,965,566	1,311,965,566	38.32%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 3)	Beneficial	200,910,903	200,910,903	5.87%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 3)	Beneficial	181,706,786	181,706,786	5.31%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts (Note 3)	Other	382,617,689	382,617,689	11.18%

Notes:

1. *The percentage is based on the total number of shares of the Company in issue as at 30 June 2020 (i.e. 3,423,359,841 shares of the Company).*

2. *CSCEC is interested in 1,311,965,566 shares of the Company, of which 1,262,211,316 shares of the Company are held by Star Amuse Limited ("Star Amuse") and 49,754,250 shares of the Company are held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of COLI which in turn is a non-wholly owned subsidiary of COHL. COHL is a subsidiary of China State Construction Engineering Corporation Limited ("CSCECL") which in turn is a non-wholly owned subsidiary of CSCEC.*

3. *382,617,689 shares of the Company are held by UBS TC (including 200,910,903 shares of the Company and 181,706,786 shares of the Company are held by Diamond Key and On Fat respectively), which are also disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his family members as the beneficiaries. None of the directors of the Company are directors or employees of Diamond Key and On Fat.*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Save as disclosed above, the Company had not been notified by any other person (other than the directors or chief executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2020.

CORPORATE GOVERNANCE

The Group strives to raise the standards of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our commitment to maintain transparency and accountability to maximize the value of our shareholders as a whole.

Except for the deviation from code A.4.1 in the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "CG Codes"), the Company has applied the corporate governance principles and complied with all the code provisions (where applicable, some of the recommended best practices) set out therein for the six months ended 30 June 2020.

Code A.4.1 of the CG Codes stipulates that non-executive directors should be appointed for a specific term. Two non-executive directors of the Company are not appointed for a specific term, however, they are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The facility agreements/letters, which have been entered into by the Company in the following terms and conditions and continue to subsist at 30 June 2020 are set out below:

(1) Date: 10 March 2017

Amount: Loan facility up to HK$600 million, which can be increased to HK$1 billion in accordance with the facility agreement

Term: 60 months commencing from the date of the facility agreement

(2) Date: 14 December 2017

Amount: Loan facility up to HK$1 billion

Term: 60 months commencing from the date of the facility letter

(3) Date: 31 December 2018

Amount: Loan facility up to HK$1 billion

Term: 60 months commencing from the date of the first drawdown

(4) Date: 30 December 2019

Amount: Loan facility up to HK$1 billion

Term: 60 months commencing from the first utilization date

(5) Date: 11 March 2020

Amount: Loan facilities up to (a) HK$935 million and (b) RMB500 million

Term: (a) 60 months and (b) 36 months commencing from the date of the facility agreement respectively

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES *(continued)*

The above facility agreements/letters stipulated that, if COLI, the controlling shareholder of the Company, ceases to be the single largest shareholder of the Company or ceases to have management control over the Company, the above facilities shall be cancelled and all outstanding amounts shall become immediately due and payable.

As at the date of this report, COLI owns approximately 38.32% of the total number of shares of the Company in issue.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information since the date of the 2019 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Mr. Zhuang Yong was appointed as director of COHL in March 2020.
- Mr. Yang Lin ceased to be a member of the Remuneration Committee of the Company with effect from 26 June 2020.
- Mr. Yung Kwok Kee, Billy was appointed as chairman of the board of directors and non-executive director of SMC Electric Limited, shares of which have been listed on the Stock Exchange since 2 June 2020.
- Dr. Chung Shui Ming, Timpson has retired as director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited with effect from 9 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the period ended 30 June 2020 and up to the date of this report.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the Company's unaudited interim results for the six months ended 30 June 2020, and discussed with the Company's management regarding auditing, internal control and other important matters.

中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

香港皇后大道東一號太古廣場三座七樓701-702室
Suites 701-702, 7/F., Three Pacific Place,
1 Queen's Road East, Hong Kong

電話 Tel : 2988 0600
傳真 Fax : 2988 0606
網頁 Website : www.cogogl.com.hk

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C007445