



中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code 股份代號：00688



守正 積勢
Well Poised
for the Momentum

2020 INTERIM REPORT 中期報告

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* Property development in 76 major cities in mainland China, including Beijing, Shanghai, Guangzhou, Shenzhen, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Ezhou, Foshan, Fuzhou, Guiyang, Haikou, Hangzhou, Harbin, Jiangmen, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Qingdao, Sanya, Shenyang, Shijiazhuang, Suzhou, Taiyuan, Tianjin, Urumqi, Wanning, Weihai, Wuhan, Wuxi, Xiamen, Xi'an, Yantai, Zhangzhou, Zhaoqing, Zhengzhou, Zhenjiang[^], Zhongshan, Zhuhai, Baotou[#], Changzhou[#], Ganzhou[#], Guilin[#], Hefei[#], Hohhot[#], Huangshan[#], Huizhou[#], Jilin[#], Jinhua[#], Jining[#], Jiujiang[#], Lanzhou[#], Langfang[#], Liuzhou[#], Nanning[#], Nantong[#], Qingyuan[#], Quanzhou[#], Shantou[#], Shaoxing[#], Taizhou[#], Tangshan[#], Weifang[#], Weinan[#], Xining[#], Xuzhou[#], Yancheng[#], Yangzhou[#], Yinchuan[#], Zibo[#], Zunyi[#] as well as in Hong Kong and Macau

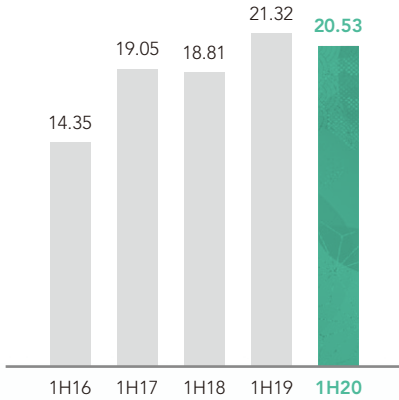
[^] The city where both China Overseas Land & Investment Limited (the "**Company**") and its subsidiaries (the "**Group**") and China Overseas Grand Oceans Group Limited ("**COGO**") have operations.

[#] The cities where COGO has operations.

Financial Highlights

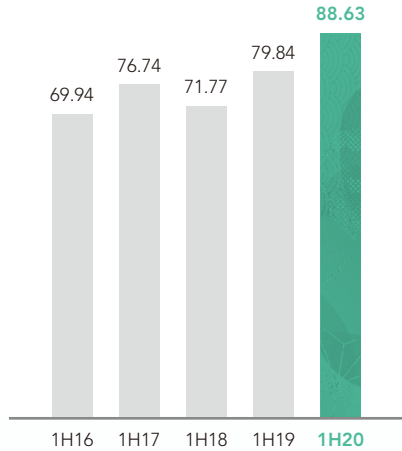
Profit Attributable to Equity Shareholders

RMB billion



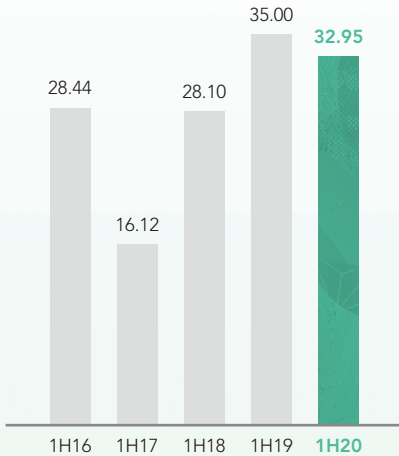
Revenue

RMB billion



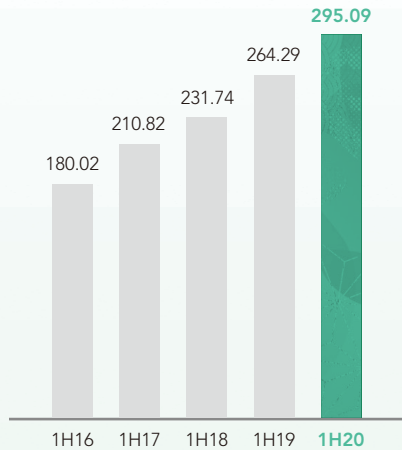
Net Gearing Ratio

%



Shareholders' Funds

RMB billion



Board of Directors and Committees

Executive Directors

Yan Jianguo *Chairman*
Luo Liang *Vice Chairman*
Zhang Zhichao *Chief Executive Officer*
(appointed w.e.f. 11 February 2020)

Guo Guanghui

Non-Executive Directors

Zhuang Yong *Vice Chairman*
(appointed w.e.f. 11 February 2020)

Chang Ying

Independent Non-Executive Directors

Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David
Chan Ka Keung, Ceajer *(appointed w.e.f. 27 June 2020)*
Lam Kwong Siu *(resigned w.e.f. 27 June 2020)*

Authorised Representatives

Yan Jianguo
Luo Liang

Audit and Risk Management Committee

Li Man Bun, Brian David*
Fan Hsu Lai Tai, Rita
Chan Ka Keung, Ceajer

Remuneration Committee

Chan Ka Keung, Ceajer*
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

Nomination Committee

Fan Hsu Lai Tai, Rita*
Li Man Bun, Brian David
Chan Ka Keung, Ceajer

* *Committee Chairman*

Corporate Information

Registered Office

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
Website : www.coli.com.hk

Company Secretary

Edmond Chong

Registrar and Transfer Office

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

Investor Relations

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.ir@cohl.com

Public Relations

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.pr@cohl.com

Legal Advisor

Mayer Brown

Independent Auditor

Ernst & Young
*Certified Public Accountants
and Registered Public Interest
Entity Auditor*

Principal Bankers (In Alphabetical Order)

Agricultural Bank of China
Bank of China
Bank of Communications Co., Ltd.
Hong Kong Branch
Bank of Shanghai Co., Ltd
China Construction Bank Corporation
China Construction Bank (Asia)
Corporation Limited
China Merchants Bank
DBS Bank Ltd., Hong Kong Branch
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China
Nanyang Commercial Bank, Limited
Postal Savings Bank of China
Shanghai Pudong Development Bank
Co., Ltd.
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited,
Hong Kong Branch

Shareholders' Information and Financial Calendar

Listing

The Company's shares (the "**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and certain notes issued by the Company's subsidiaries are listed on the Stock Exchange and/or other stock exchange.

Stock Code

Shares

Stock Exchange : 00688
Bloomberg : 688:HK
Reuters : 0688.HK

Financial Calendar

Interim results announcement : 24 August 2020
Ex-dividend date : 18 September 2020
Closure of Register of Members : 22 September 2020
Record date : 22 September 2020
Despatch of dividend warrants : 5 October 2020

Chairman's Statement

I have pleasure to report to the shareholders the unaudited revenue of the Group for the six months ended 30 June 2020 was RMB88.63 billion, representing an increase of 11.0% as compared to the corresponding period last year; operating profit was RMB31.26 billion; profit attributable to equity shareholders of the Company was RMB20.53 billion, representing a decrease of 3.7% as compared to the corresponding period last year; net profit margin was 23.2%; the core net profit, after deducting changes in fair value of investment properties after tax and net foreign exchange gains/losses, amounted to RMB17.94 billion, representing an increase of 0.3% as compared to the corresponding period last year; basic earnings per share was RMB1.87; shareholders' funds increased to RMB295.09 billion; net assets per share was RMB26.93; and half-year return on shareholders' funds was 7.1%. The Board proposed an interim dividend of HK45 cents per share.

In the first half of 2020, under the looming impact of the Covid-19 pandemic, the global economy experienced negative growth. The ultimate impact of the epidemic will depend on its duration, which implies a continuing risk of global recession. During the period, as global and Chinese economies contracted, the Group managed to achieve growth against the tide, maintaining the leading position in mainland real estate industry with stable operating profit and a net profit margin of 23.2%.

When facing major external events, a clear-eyed appraisal of the situation is key, upon which take actions that aligns with the trend. The world is undergoing once-in-a-century changes, with uncertainty compounded by the impact of Covid-19. In the 40 years since the Group's inception, a strong sense of direction and confidence in its ability has enabled it to navigate multiple challenges – from cyclical economic fluctuations to financial crises, and built the corporate muscle memory to weather the current vicissitudes. Promptly and swiftly, the Group took effective action, staying well poised for the momentum to withstand severe economic fluctuations and the impact of the pandemic to achieve quality growth.

Chairman's Statement (Continued)

As a corporate citizen, the Group views its primary responsibility as joining with all sectors of society to cooperate and coordinate in the fight against the Covid-19 pandemic. Being people-oriented is a key principle of the Group, and the Group regards protecting the health of its employees as the first obligation. The Group distributed an "Epidemic Prevention Care Pack" to every staff member to help effectively protect his or her health; donated thousands of protective clothing and tens of thousands of masks to institutions in Wuhan and elsewhere; in March, made a single purchase of 500,000 catties of unsalable fruit and vegetables in Dongao town, in Wanning city of Hainan province and distributed the produce for free to customers who were unable to go shopping due to pandemic prevention and control measures; continued to promote the Group's "Sea of Hope" charitable initiative, building the "Kangle Mushrooms" brand in Kangle county in Gansu province, and undertaking the branding and marketing of agricultural products, with sales orders reached approximately RMB4 million. In order to support economic recovery, speed up the resumption of work and production, and ease operating pressure on our partners, during the period, the Group implemented rent reductions of approximately RMB20 million in its commercial projects, benefiting more than 1,300 tenants.

The Group has maintained a consistent financial strategy by exercising caution in details and implementation, with stability and prudence as watchwords. At 30 June 2020, the Group has cash amounted to RMB111.38 billion, with liability to asset ratio of 59.77% and net gearing of 32.95%. The debt ratio remained one of the lowest in the industry, with abundant cash and high financial stability. The Group is confident in its ability to meet challenges and seize corresponding market opportunities.

Through responsiveness and agility, the growth in sales during the pandemic amply demonstrates the Group's outstanding execution capability. By implementing powerful epidemic prevention and control measures, the Covid-19 situation was quickly brought under control in mainland China and work resumed from April. After losing nearly two months of development, construction and sales, the Group, together with its joint ventures and associates (collectively the "Group Series of Companies"), achieved contracted property sales of RMB172.01 billion in the first half of the year, a year-on-year increase of 4.2%, providing momentum for the Group to grow in the year as a whole and going forward. In June, the Group Series of Companies achieved contracted property sales of RMB57.56 billion, an increase of 32.3% year-on-year, setting a new Group monthly sales record.

Chairman's Statement (Continued)

Sales for the Group grew during the period, against the market trend, substantially through its abundant inventory and well-structured saleable volume.

The mainland real estate market has fragmented and begun to compete based on inventory, which presents structural opportunities. The buying power is returning to the higher-value first- and second-tier cities and core urban agglomerations. The Group has consistently held to its development objectives of targeting major cities, mainstream areas and mainstream products to keep pace with market trends and meet the needs of mid- to high-end customers looking for high residential quality. During the period, the average selling price achieved by the Group Series of Companies exceeded RMB18,000/sq m, substantially above the national average selling price for residential housing. Sales in Beijing, Shanghai, Chengdu and Guangzhou each exceeded RMB10 billion.

The Group continues to cultivate its position in major cities and strengthen its competitive advantage in land reserves, where acquiring mega-sized projects is its key competing strategy.

The increased development into major first- and second-tier cities, leveraging of the Group's strong financial position and comprehensive capabilities in urban operations, and acquisition of mega-sized project resources will become a core strategic advantage of the Group. Since the beginning of 2020, the Group has acquired a number of mega-sized projects, including the Shanghai Hongqi Village project, Wuhan Hanyang District project, Taiyuan Tanghuaichanyeyuan District project, and Shanghai East Jianguo Road project. Each of these has a total saleable value of tens of billions of yuan. During the period, the Group acquired land parcels with a total attributable GFA of 5.62 million sq m and total attributable land premium of RMB52.28 billion. At 30 June 2020, the total land reserve of the Group Series of Companies reached 90.06 million sq m.

Chairman's Statement (Continued)

The Group's strategy is to improve commercial asset management, optimising asset structure and continuing to accumulate momentum. The epidemic has significantly impacted commercial operations such as office buildings, shopping malls and hotels. During the period, the Group seized the opportunity for market integration presented by this impact, enhancing its capabilities in commercial asset revaluation to advance the full-cycle management of "investment, financing, management and exit" in commercial assets; it sold Block H office building of China Overseas International Center in Chengdu, and acquired Foshan Vivo City Shopping Center (renamed "Unipark") with a total GFA of 130,000 sq m, and continues to accumulate high-quality commercial assets. During the period, the Group enhanced tenant structure, strengthened cost control in commercial operations, improved innovation and service quality in its commercial services and continued to strengthen the ability to manage and operate commercial assets. Despite delays in bringing certain commercial projects to market, the Group still achieved an increase of 1.1% in commercial asset operating revenue, to RMB2.03 billion. This hard-won growth is attributable to a good commercial tenant structure. The Group's major tenants include 260 global Fortune 500 companies. Leveraging its dominant position as the largest developer and operator of office buildings under single ownership in mainland China, the Group successfully issued a first tranche of commercial mortgage-backed securities (CMBS), raising RMB3.70 billion with a coupon rate of 2.5%, demonstrating the market's recognition of the high quality of the Group's commercial assets.

The Group proactively embraces change, creating innovative business models and leveraging the depth of its resources to cultivate new businesses. Based on the new businesses in senior living, education and logistic, the Group set up a new supply chain management company that advantageously integrates various Group resources during the period. The new outfit aims to be a premium B2B transaction and integrated services platform in the building materials sector, leveraging the Group's consolidated merchandising capability. Another newly set up technology company will digitally manage residential development and business operations, smart communities, smart homes, smart commercial buildings, as well as digital products and services for other real estate development and operating scenarios. This investment by the Group in upstream and downstream technology companies will establish a technology ecosystem.

Chairman's Statement (Continued)

The Group strengthened its scientific and technological leadership and boosted its determination to prioritise the development of products that are healthy, green, industrialised and intelligent. The unforeseen epidemic has prompted a focus on overarching design merits such as efficient residential spatial planning, visual transparency along north-south axes, and the maximisation of south-facing areas, and a system of products embodying seven health scenarios was introduced. The Group also accelerated its research and development of industrial manufacture of kitchens and bathrooms. It is supported by new collaborations with Huawei and other technology companies, which further open possibilities in the application of smart communities and smart homes. Some of the launched collaborative projects have already achieved market success and customer recognition.

The Group strengthened its technology leadership, speeding up management revolution that pivots on digitisation and quantitative methodologies, to strengthen its competitiveness based on delicacy management. The Group will continue to improve its digital management and control platforms across the entire life cycle of real estate development and operation, empower subordinate city companies and project development, integrate internal and external "big data" to fine-tune policy implementation, and continuously improve management and control efficiency, in order to strengthen the Group's execution advantages.

Looking ahead, the Group is fully confident in the prospects for the Chinese economy. The confidence stems from China's rapid economic growth since its reform and opening up, as well as China's highly effective and efficient response in the battle against the Covid-19 pandemic, which sees the country as the sole major economy showing the way in economic recovery and growth in the second quarter. The Group believes that the strong resilience of the economy will allow China to rise to the challenges of the epidemic and various external factors and achieve high-quality development post Covid-19.

Going forward, the Group has full confidence in a bright future for Hong Kong. The Hong Kong National Security Law provides strong legal protection for the prosperity and stability of the city, "one country, two systems" will continue to enjoy smooth and long-term success in its practice, and that Hong Kong will maintain its stability, continue its economic development, and improve the livelihoods of its people. The Group will firmly continue to increase its investment in Hong Kong.

Chairman's Statement (Continued)

Last but not least, I would like to take this opportunity to express my heartfelt appreciation to my fellow directors and the entire staff for their dedication, professionalism and determination in the pursuit of excellence for the Group. I would also like to express my gratitude to the shareholders and business associates for their trust and support.

China Overseas Land & Investment Limited

Yan Jianguo

Chairman and Executive Director

Hong Kong, 24 August 2020

Management Discussion & Analysis

Overall Performance

During the period, the revenue of the Group increased to RMB88.63 billion (corresponding period in 2019: RMB79.84 billion), representing an increase of 11.0% as compared to the corresponding period in last year. The operating profit was RMB31.26 billion (corresponding period in 2019: RMB31.30 billion). The gross profit margin was 30.6% and the net profit margin reached 23.2%, maintaining at industry-leading level. The ratio of selling, distribution and administrative expenses to revenue was 3.0%, which remained one of the lowest in the industry. Profit attributable to equity shareholders of the Company amounted to RMB20.53 billion (corresponding period in 2019: RMB21.32 billion), representing a decrease of 3.7% as compared to the corresponding period in 2019. The half-year return on shareholders' funds was 7.1%. Basic earnings per share was RMB1.87 (corresponding period in 2019: RMB1.95), representing a decrease of 3.7% as compared to the corresponding period in 2019.

At 30 June 2020, the equity attributable to shareholders of the Company was RMB295.09 billion (31 December 2019: RMB280.60 billion), an increase of 5.2% as compared to last year end, while the net assets per share was RMB26.93 (31 December 2019: RMB25.61). At the end of June, the Group's financial position was good with ample cash resources of RMB111.38 billion and net gearing of 32.95%.

Property Development

During the period, the Group's revenue from property development was RMB86.35 billion (corresponding period in 2019: RMB77.65 billion), an increase of 11.2% as compared to the corresponding period last year, mainly related to property projects including Paramount Jade in Jinan, La Cite and Essence of Fortune in Beijing, The Grace in Nanjing, Mansion Hills in Shenyang, Chang'an Palace in Xi'an, Royal Mansion in Chengdu, Cloud Hills in Dongguan, Mansion House in Changsha, and Glory Mansion in Dalian.

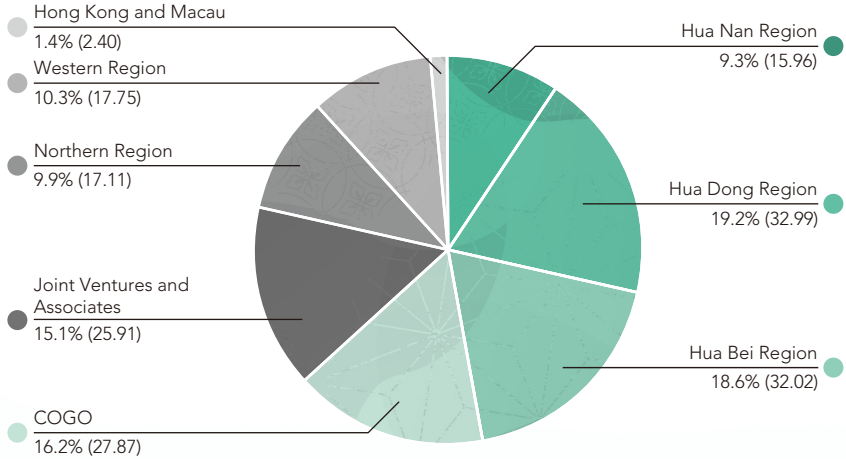
Segment profit (including the Group's share of profits of associates and joint ventures) amounted to RMB27.39 billion (corresponding period in 2019: RMB26.88 billion).

Management Discussion & Analysis (Continued)

Property Development (Continued)

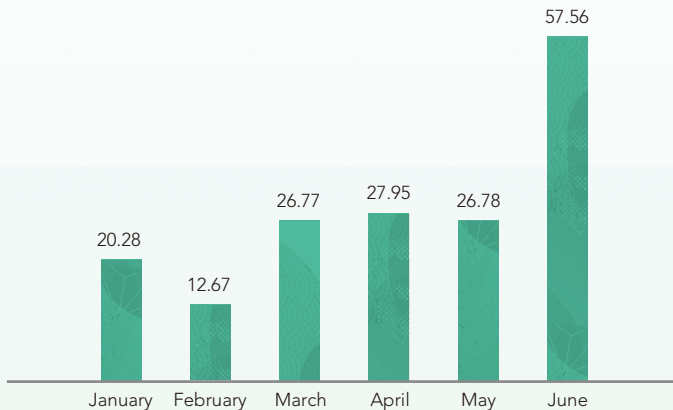
1H 2020 Contracted Property Sales Amount By Region#

RMB billion



1H 2020 Contracted Property Sales Amount By Month#

RMB billion



Representing the Group Series of Companies

Management Discussion & Analysis (Continued)

Property Development (Continued)

During the period, the Group Series of Companies (excluding COGO) completed 50 projects with a total area of 7.32 million sq m in 21 cities in mainland China.

The table below shows the area of projects completed by region in the first half of 2020:

City	Total Area ('000 sq m)
Hua Nan Region	
Changsha	218
Zhuhai	119
Fuzhou	81
Sub-total	418
Hua Dong Region	
Nanjing	538
Shanghai	260
Nanchang	81
Suzhou	59
Sub-total	938
Hua Bei Region	
Jinan	841
Beijing	370
Wuhan	283
Taiyuan	219
Tianjin	86
Sub-total	1,799
Northern Region	
Shenyang	627
Changchun	453
Qingdao	372
Yantai	279
Dalian	212
Sub-total	1,943
Western Region	
Xi'an	997
Chengdu	490
Chongqing	419
Xinjiang	314
Sub-total	2,220
Total	7,318

Management Discussion & Analysis (Continued)

Property Development (Continued)

During the period, the Group acquired 21 land parcels in 13 cities in mainland China, adding a total GFA of 5.82 million sq m to the land reserve (attributable interest of 5.62 million sq m). The total land premium was RMB55.51 billion (attributable interest of RMB52.28 billion).

The table below shows the details of land parcels added in the first half of 2020:

City	Name of Development Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
Shanghai	Putuo District Project #1	70%	42	398
Beijing	Shijingshan District Project	100%	27	114
Shanghai	Putuo District Project #2	70%	6	29
Shanghai	Putuo District Project #3	70%	24	107
Beijing	Chaoyang District Project	80%	81	193
Changsha	Yuelu District Project #1	100%	148	415
Shenyang	Heping District Project	100%	109	291
Changsha	Yuelu District Project #2	100%	136	549
Taiyuan	Wanbailin District Project #1	100%	75	318
Weihai	Huancui District Project	100%	54	143
Tianjin	Hexi District Project	100%	143	444
Dalian	Zhongshan District Project	100%	26	91
Foshan	Nanhai District Project	100%	99	429
Taiyuan	Wanbailin District Project #2	100%	51	277
Taiyuan	Wanbailin District Project #3	100%	18	83
Taiyuan	Wanbailin District Project #4	100%	40	287
Suzhou	Gaoxin District Project	100%	102	190
Ningbo	Haishu District Project	100%	12	32
Harbin	Nangang District Project	100%	21	57
Wuhan	Hanyang District Project #1	100%	70	675
Wuhan	Hanyang District Project #2	100%	107	700
Total			1,391	5,822

Management Discussion & Analysis (Continued)

Property Development (Continued)

At 30 June 2020, the Group Series of Companies (excluding COGO) had a total land reserve of 63.72 million sq m (attributable interest of 52.52 million sq m).

The major associate COGO acquired 18 land parcels, adding a total GFA of 4.13 million sq m. At 30 June 2020, its total land reserve was 26.34 million sq m (attributable interest of 23.66 million sq m).

The total land reserve of the Group Series of Companies reached 90.06 million sq m.

During the period, the net profit contribution from joint ventures and associates amounted to RMB2.54 billion. The major associate COGO recorded contracted property sales of RMB27.87 billion, revenue of RMB16.11 billion, and net profit of RMB2.08 billion. The Group earned a net profit of RMB780 million from COGO for the period.

Property Investment

Rental income from the Group's investment properties for the period amounted to RMB1.92 billion (corresponding period in 2019: RMB1.81 billion), an increase of 6.2% as compared to the corresponding period last year. During the period, the Group continues to deepen asset management, improve management precision, and complete the asset management and capital recycling value chain of investment, financing, management and exit.

Segment profit amounted to RMB6.49 billion (corresponding period in 2019: RMB5.89 billion), an increase of 10.3% as compared to the corresponding period last year, which includes the gain arising from changes in fair value of investment properties amounting to RMB5.20 billion (net gain after deferred tax attributable to owners of the Company was RMB3.18 billion).

Other Operations

During the period, revenue from other operations amounted to RMB360 million (corresponding period in 2019: RMB380 million), of which income from hotels and other commercial properties was RMB110 million (corresponding period in 2019: RMB190 million).

Management Discussion & Analysis (Continued)

Liquidity, Financial Resources and Debt Structure

The Group continues to adhere to the principle of prudent financial management. Finance, fund utilisation and fundraising activities are subject to effective centralised management and supervision. The Group considers carefully the cost of funding onshore and offshore and strives to maintain reasonable gearing level and cash balances.

The overall financial position of the Group was satisfactory. At 30 June 2020, the net current assets were RMB328.54 billion, the current ratio was 2.3 times, interest cover was 7.2 times and the weighted average borrowing cost was 4.01%, which were at an outstanding level in the industry.

The Group continues to take advantage of onshore and offshore dual financing platforms and flexibly used multiple tools to optimally apply various financing combinations. In March 2020, the Group successfully issued 5-year US\$300 million, 10-year US\$500 million and 15-year US\$200 million senior notes at coupon rates of 2.375%, 2.75% and 3.125%, respectively, under the US\$2.5 billion medium-term note (MTN) programme established in Hong Kong last year. In April 2020, the Group successfully issued the single largest onshore green CMBS, with an amount of RMB3.70 billion at coupon rate of 2.5%. In addition, the Group signed a number of new bilateral loans during the period, to optimise its loan portfolio, correspondingly replacing existing debt and supplementing working capital.

During the period, the Group raised fund from onshore and offshore debt financing amounted to RMB31.91 billion. Total repayment of matured debts amounted to RMB16.45 billion. Sales proceeds collection increased to RMB92.79 billion as compared to the corresponding period last year. Total capital expenditure payments for the Group were RMB74.65 billion (of which RMB41.78 billion was spent on land premiums and RMB32.31 billion was spent on construction-related expenditure). About RMB24.09 billion was paid for taxes, selling and distribution expenses, administrative expenses and financing expenses. At the end of June 2020, unpaid land premium of the Group was RMB28.44 billion while bank borrowings and notes payable due to mature in the second half of the year amounted to RMB19.59 billion.

Management Discussion & Analysis (Continued)

Liquidity, Financial Resources and Debt Structure (Continued)

At 30 June 2020, bank and other borrowings and notes payable of the Group were RMB129.29 billion and RMB79.32 billion, respectively. Total interest-bearing debts amounted to RMB208.61 billion, of which RMB33.44 billion will be matured within a year, accounting for 16.0% of total interest-bearing debts. Among the total interest-bearing debts, 28.1% was denominated in Hong Kong dollars, 24.9% was denominated in US dollars, 46.2% was denominated in Renminbi and 0.8% was denominated in Pounds Sterling. The fixed-rate debts accounted for 40.9% of overall interest-bearing debts while the remaining were floating-rate debts.

At 30 June 2020, the Group's available funds amounted to RMB147.65 billion comprising bank balances and cash of RMB111.38 billion (of which 8.3% was denominated in Hong Kong dollars, 8.2% was denominated in US dollars, 82.7% was denominated in Renminbi, 0.6% was denominated in Pounds Sterling and minimal amounts were denominated in other currencies) and unused banking facilities of RMB36.27 billion.

In the first half of 2020, under the impact of the Covid-19 epidemic on the global economy and deepening of Sino-US friction, RMB depreciated slightly against the US dollar with wide fluctuations during the period. Amidst the prospect of a severe global recession and wild fluctuations in financial markets worldwide, the Central Bank of China actively implemented a monetary policy to ease the load on the real economy, ensuring reasonable and sufficient market liquidity. In the first half of the year, the US Federal Reserve Board twice cut interest rates, by a total of 150 basis points and restarted its quantitative easing policy, reducing both onshore and offshore financing costs. In the future, the Group will closely monitor the potential for interest rate movements and consider the factors that might generate large fluctuations in the exchange rates between the Hong Kong dollar, RMB and US dollar. The Group offsets the corresponding risks mainly through natural hedging and has not participated in any speculative trading of derivative financial instruments, but will carefully consider whether to conduct currency and interest rate swaps at an appropriate time to hedge against corresponding risks. The Board believes that the Group's exchange rate and interest rate risks are relatively controllable.

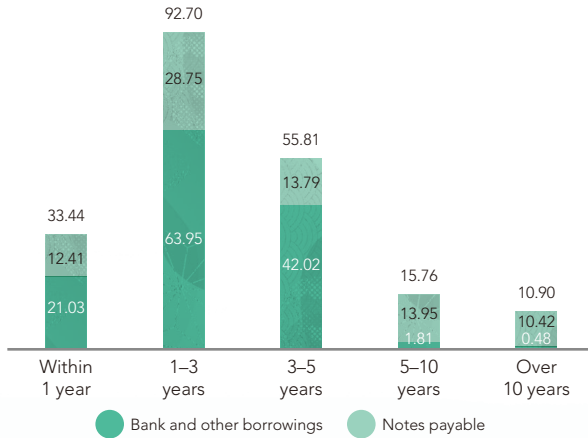
Management Discussion & Analysis (Continued)

Liquidity, Financial Resources and Debt Structure (Continued)

Interest-Bearing Debts Maturity Profile

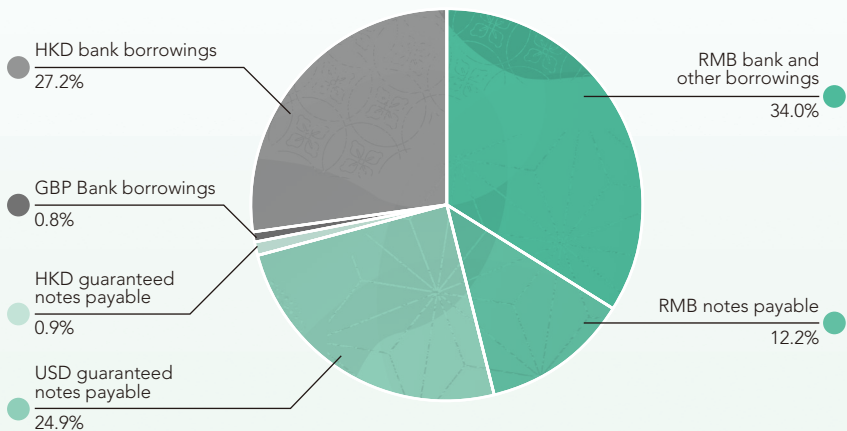
At 30 June 2020

RMB billion



Interest-Bearing Debts by Currency

At 30 June 2020



Management Discussion & Analysis (Continued)

Sustainable Development

The Group regards the management of sustainability as a crucial path to realise its corporate vision and mission, and proactively integrates environmental, social and governance and other sustainability factors into its operating model. The Group is committed to working with the new generation to address the challenges posed by climate change and urban development by developing and employing green, healthy and sustainable buildings and technologies, and incorporating environmental and social considerations into business decisions. In the first half of 2020, the Group achieved great results in the fields of environmental protection, educational support, targeted poverty alleviation and charity.

In order to systematically promote sustainability management, the Group has formulated the Management Measures for Environmental, Social and Governance Management of China Overseas to specify the responsibilities for overall planning and implementation of sustainability affairs and related work reporting mechanism. In the first half of the year, the Group established the ESG strategy framework of “Four Excellences” and identified 29 sustainability issues as the basis for setting sustainability goals. Under the framework of “a Company of Four Excellences”, the Group set qualitative and quantitative sustainability targets for 2019 - 2023, covering green building area, air quality testing, customer satisfaction, employee satisfaction, employee training, carbon emissions and energy consumption density. These initiatives were well recognised by the market. As a result, the Company was included in the Hang Seng ESG 50 Index newly introduced by Hang Seng Index Company Limited in July.

During the period, the Group added 21 green building certification projects with a total GFA of 2.57 million sq m. Cumulatively, the Group has delivered 315 green building-certified projects with a total GFA of 58.04 million sq m. In the first half of 2020, the Group’s “Sea of Hope” programme continued its targeted poverty alleviation efforts in Kangle County, Gansu Province, and created a local produce brand called “Kangle Mushroom”. The Group not only participated in the whole process of brand creation, from product selection and purchase of raw materials to brand registration, packaging design, production and online sales, but also tapped into the power of its extensive customer resources to promote the brand. In particular, the Group drew on its 3 million of its home owners nationwide and some 10 million potential customers visiting its sales offices in the year and gave out “Kangle Mushroom” products as complimentary gifts during the period, with an aim to drive online store traffic, help the brand gain visibility and boost sales.

Management Discussion & Analysis (Continued)

Sustainable Development (Continued)

The Group insists on putting people first and regards human resources as its most valuable resource. At the end of June, the Group employed around 6,100 employees. During the period, the staff costs of the Group were RMB1.33 billion. Guided by the annual key tasks, the Group optimised the three-tier KPI structure to cover all employees, and launched a MAPS structure that distinguishes position, job and level to broaden the career development paths of employees.

In the first half of 2020, the Group launched four series of training programmes, namely, “Golden Lectures”, “Craftsmen’s Talk”, “Lessons on the Cloud” and “Think & Share”. These four programmes effectively energised employees, broadened their management and business horizons, and facilitated their growth and development.

To meet the talent needs of its innovative business, the Group positioned “Stars of the Sea”, “Sons of the Sea” and “Sea’s Recruits” as its recruitment brand trio and continued to expand recruitment channels, guaranteeing sufficient and high-quality human resources for its rapid business development. The Group regarded employee satisfaction as a priority of the year and managed to maintain a stable workforce with improving employee satisfaction.

Management Discussion & Analysis (Continued)

Sustainability Strategy and Targets

In the first half of 2020, based on various analyses and communications with stakeholders, the Group identified 29 sustainability issues and incorporated them into the sustainability strategy framework of “Four Excellences”, namely “Good Citizen, Good Services, Good Products, Good Effectiveness”. With 2019 as the base year, we set 61 sustainability targets for the period from 2019 to 2023 under the framework of “Four Excellences”, which were reviewed and approved by the Company’s senior management. The Company also issued five policies related to sustainable development on its official website, including Sustainable Development Policy, Environmental Policy, Labour Rights and Occupational Safety and Health Policy, Supplier Code of Conduct and Corporate Code of Conduct. For details, please visit <http://www.coli.com.hk/esg/policy/>.

In the future, we will focus on implementing the targets, review and report the progress internally and externally, and update the targets when appropriate to achieve continuous improvement.

Management Discussion & Analysis (Continued)

Progress in Achievement of Sustainability Targets for 2019-2023 in the First Half of 2020

Good Citizen Human in Harmony with the Environment



Vision

Take into account the environmental and social aspects when designing products, services and business management model, and assist the country and society in coping with sustainability and climate change challenges

Progress

Energy efficiency and greenhouse gas emissions

Commercial projects

- Completed replacing 100% of energy-inefficient lightings in commercial projects with LED lightings
- Achieved 100% coverage of energy consumption information platform in self-owned office building projects

Waste management

Waste sorting was rolled out for at least 10 commercial projects, with active efforts made to promote waste reduction measures

Land risk and biodiversity

Land risk screening was carried out before land acquisition for each project to analyze the risk factors related to the ecological environment such as geological terrain, soil risk, environmental pollution and special protection and identify the environmental risks of the project plot and its surrounding areas

A third-party environmental impact assessment report was conducted on each land plot acquired, including an analysis of terrestrial biodiversity

Regional economy and targeted poverty alleviation

In response to the national initiative of targeted poverty alleviation, the Group created the “Kangle Mushroom” brand for specialty agricultural products of Kangle County, Gansu Province during the period. The Group participated in all processes including the inspection and selection of products, the acquisition of raw materials, the brand registration, the package design, the organization of production and online sales. In addition, capitalising on the advantage of its own resources of customer base, the Group promoted these products to nearly 3 million property owners and nearly 10 million customers to its sales centers each year. By distributing “Kangle Mushroom” to customers as a gift, the Group helped direct their attention to the online shops of these products, publicise the brand and boost sales

Management Discussion & Analysis (Continued)

Good Products Creating a Healthy Life with Enjoyable Space



Vision

Adhere to the principle of “Each and Every Detail of Each and Every Project” in conjunction with modern living and working patterns to create new communities integrating functional, healthy and humanistic elements

Progress

Green and sustainable buildings

- In the first half of 2020, 21 projects obtained LEED certification, bringing the cumulative number to 315 projects, covering an aggregate area of 58.04 million sq m. The awards received included:
- The 6th China Green Smart Real Estate Forum: No. 1 in China's Green Property 2020, No. 1 in China's Green Property (Central Enterprises) State-owned Enterprises 2020, No. 1 in China's Green Property Operational Index 2020, No. 1 in China's Green Property 2020 (Residential), No. 2 in China's Green Property 2020 (Commercial), TOP10 in China's Prefabricated Buildings Enterprises 2020, No. 3 in China's Whole-decoration Enterprises 2020, Top 10 in China's Green Property Project 2020 (Gate of Peace, Shenyang)
- WELL Platinum Certification: OfficeZip at Beijing China Overseas Fortune Centre
- BOMA China Certificate of Excellence: Beijing CSC Fortune International Centre, Blocks C and D of China Overseas International Center, Chengdu
- RICS Annual Facility Management Team & Annual Commercial Real Estate Project: China Overseas International Center, Chengdu
- RICS Annual Commercial Real Estate Project Excellence Award: Beijing CSC Fortune International Center
- RICS Annual Commercial Real Estate Project Excellence Award: OfficeZip flexible working office operating team

Management Discussion & Analysis (Continued)

Good Products Creating a Healthy Life with Enjoyable Space

(Continued)



Green finance

The Green Finance Framework of the Company was drafted according to the Green Bond Principles and the Green Loan Principles

The issue of CITICS – China Overseas Green Property Management Asset-backed Plan 1 was completed, with the issue size amounting to RMB3.7 billion at a coupon rate of 2.5%

Infrastructure and supporting services

Affordable housing of a total floor area of 4,669,500 sq m was constructed, with the total area of affordable housing accounting for 4.54% of the total residential projects

80% of UniMall projects received the title “Food Safety Demonstration Project” at the district level

Community integration and coordinated development

Baby care rooms were set up in all newly developed shopping mall projects

High-standard senior living projects were developed with 930 beds in the first half of 2020

Good Services Full-cycle Customer Service



Vision

Continuously improve customer satisfaction and strive to be an industry leader in customer relationship management

Progress

- In the first half of 2020, the Company achieved customer satisfaction scores of 90%, ranked No. 2 among the top 20 enterprises in terms of sales and 95th percentile of the industry

Management Discussion & Analysis (Continued)

Good Effectiveness Creating Shared Value



Vision

Better understand the links between social needs and the Company's competitive strengths, create shared value for all stakeholders with a management mindset that goes beyond for-profit and non-profit boundaries, observe high-level corporate ethics, step up internal and external collaboration and communication, and catalyze sustainable development processes

	Improve corporate governance	Build effective teams	Promote cross-industry cooperation
Progress	<ul style="list-style-type: none"> 100% of the Company's management personnel and employees (including employees of regional companies, project companies, joint ventures and associates) sign the Work Integrity Responsibility Statement on a yearly basis 50% of senior and middle-level employees of the headquarters and companies at all levels received integrity education and training 100% of business partners (including suppliers and contractors) signed the Integrity Agreement and their corporate credit and integrity records were checked during the Company's procurement process 	<ul style="list-style-type: none"> 6,104 staff were employed. The ratio of male to female was 2.7:1. The target is to improve the ratio of male to female employees with an aim to bring down the ratio to 2:1 The number of training hours per employee was 38 hours Maintained 100% physical examination and supplementary medical insurance coverage for employees COLI and all of its subsidiaries have set up labour unions 	<ul style="list-style-type: none"> 2 community public welfare or promotional activities with the theme of environmental protection were held in shopping malls, long-term leased apartments and overseas asset projects

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Revenue	5	88,625,398	79,836,028
Direct operating costs		(61,511,392)	(51,977,458)
		27,114,006	27,858,570
Other income and gains, net		1,609,613	1,419,973
Gain arising from changes in fair value of investment properties		5,198,031	4,497,451
Selling and distribution expenses		(1,294,787)	(1,129,169)
Administrative expenses		(1,364,888)	(1,343,862)
Operating profit		31,261,975	31,302,963
Share of profits of			
Associates		937,461	1,114,196
Joint ventures		1,604,547	811,605
Finance costs	6	(430,691)	(406,825)
Profit before tax		33,373,292	32,821,939
Income tax expenses	7	(10,570,192)	(11,056,657)
Profit for the period	8	22,803,100	21,765,282
Attributable to:			
Owners of the Company		20,526,531	21,324,997
Non-controlling interests		2,276,569	440,285
		22,803,100	21,765,282
		RMB	RMB
EARNINGS PER SHARE	9		
Basic and diluted		1.87	1.95

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Profit for the period	22,803,100	21,765,282
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of subsidiaries of the Company	(352,330)	(115,165)
Exchange differences on translation of associates	(98,405)	(23,320)
	(450,735)	(138,485)
Other comprehensive income for the period	(450,735)	(138,485)
Total comprehensive income for the period	22,352,365	21,626,797
Total comprehensive income attributable to:		
Owners of the Company	20,067,979	21,189,203
Non-controlling interests	2,284,386	437,594
	22,352,365	21,626,797

Condensed Consolidated Statement of Financial Position

	30 June 2020	31 December 2019
Note	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current Assets		
Investment properties	128,167,100	114,020,656
Property, plant and equipment	4,510,061	4,019,414
Interests in associates	12,604,731	12,430,239
Interests in joint ventures	20,654,509	23,876,179
Amounts due from associates	1,121,401	1,103,456
Other receivables	423,822	433,142
Goodwill	56,395	56,395
Deferred tax assets	7,706,274	7,324,745
	175,244,293	163,264,226
Current Assets		
Stock of properties and other inventories	405,141,185	390,982,478
Land development expenditure	17,972,658	18,046,053
Trade and other receivables	11 12,485,796	10,931,518
Contract assets	4,501,943	1,753,993
Deposits and prepayments	9,938,511	9,215,418
Deposits for land use rights for property development	4,643,001	14,026,891
Amounts due from fellow subsidiaries	49,680	49,680
Amounts due from associates	3,448,985	4,334,368
Amounts due from joint ventures	10,972,207	7,068,451
Amounts due from non-controlling shareholders	1,530,321	1,059,962
Tax prepaid	6,687,855	7,715,181
Bank balances and cash	111,384,880	95,447,568
	588,757,022	560,631,561

Condensed Consolidated Statement of Financial Position (Continued)

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current Liabilities			
Trade and other payables	12	68,662,992	65,812,031
Pre-sales proceeds		98,675,276	97,939,167
Dividend payable	10	5,639,052	–
Amounts due to fellow subsidiaries and a related company		2,338,935	2,556,926
Amounts due to associates		1,243,820	727,421
Amounts due to joint ventures		5,319,044	6,980,871
Amounts due to non-controlling shareholders		11,446,421	13,409,714
Lease liabilities – due within one year		211,247	72,040
Tax liabilities		33,245,142	38,671,775
Bank and other borrowings – due within one year		21,029,547	23,217,153
Notes payable – due within one year		12,406,202	8,861,117
		260,217,678	258,248,215
Net Current Assets		328,539,344	302,383,346
Total Assets Less Current Liabilities		503,783,637	465,647,572
Capital and Reserves			
Share capital	13	74,033,624	74,033,624
Reserves		221,052,308	206,570,068
Equity attributable to owners of the Company		295,085,932	280,603,692
Non-controlling interests		12,278,591	8,540,933
Total Equity		307,364,523	289,144,625
Non-current Liabilities			
Bank and other borrowings – due after one year		108,255,579	99,050,354
Notes payable – due after one year	14	66,919,387	58,835,801
Amounts due to non-controlling shareholders		1,653,907	2,293,675
Lease liabilities – due after one year		457,648	136,267
Deferred tax liabilities		19,132,593	16,186,850
		196,419,114	176,502,947
		503,783,637	465,647,572

Condensed Consolidated Statement of Changes in Equity

	Unaudited								
	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Translation reserve	Merger and other reserves	PRC statutory reserve	Retained profits	Total			
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	
(Note)									
At 1 January 2019	74,033,624	719,038	(11,864,607)	9,367,326	175,507,073	247,762,454	8,849,400	256,611,854	
Profit for the period	-	-	-	-	21,324,997	21,324,997	440,285	21,765,282	
Exchange differences on translation of subsidiaries of the Company	-	(112,474)	-	-	-	(112,474)	(2,691)	(115,165)	
Exchange differences on translation of associates	-	(23,320)	-	-	-	(23,320)	-	(23,320)	
Total comprehensive income for the period	-	(135,794)	-	-	21,324,997	21,189,203	437,594	21,626,797	
2018 final dividend payable (Note 10)	-	-	-	-	(4,771,426)	(4,771,426)	-	(4,771,426)	
Dividends to non-controlling shareholders	-	-	-	-	-	-	(222,925)	(222,925)	
Contributions from non-controlling shareholders	-	-	-	-	-	-	264,130	264,130	
Equity settled share-based transactions	-	-	105,122	-	-	105,122	-	105,122	
Capital contribution relating to share-based payments borne by an intermediate holding company	-	-	2,934	-	-	2,934	-	2,934	
Transfer to PRC statutory reserve	-	-	-	139,397	(139,397)	-	-	-	
At 30 June 2019	74,033,624	583,244	(11,756,551)	9,506,723	191,921,247	264,288,287	9,328,199	273,616,486	

Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Translation reserve	Merger and other reserves	PRC statutory reserve	Retained profits	Total	Non-controlling interests	
							RMB'000	RMB'000
At 1 January 2020	74,033,624	760,666	(11,644,560)	10,269,522	207,184,440	280,603,692	8,540,933	289,144,625
Profit for the period	-	-	-	-	20,526,531	20,526,531	2,276,569	22,803,100
Exchange differences on translation of subsidiaries of the Company	-	(360,147)	-	-	-	(360,147)	7,817	(352,330)
Exchange differences on translation of associates	-	(98,405)	-	-	-	(98,405)	-	(98,405)
Total comprehensive income for the period	-	(458,552)	-	-	20,526,531	20,067,979	2,284,386	22,352,365
2019 final dividend payable (Note 10)	-	-	-	-	(5,651,542)	(5,651,542)	-	(5,651,542)
Dividends to non-controlling shareholders	-	-	-	-	-	-	(580,977)	(580,977)
Contributions from non-controlling shareholders	-	-	-	-	-	-	321,851	321,851
Return of capital to non-controlling shareholders	-	-	-	-	-	-	(1,655)	(1,655)
Equity settled share-based transactions	-	-	73,058	-	-	73,058	-	73,058
Capital contribution relating to share-based payments borne by an intermediate holding company	-	-	1,684	-	-	1,684	-	1,684
Deemed acquisition of subsidiaries	-	-	-	-	-	-	1,900,608	1,900,608
Loss of control of subsidiaries	-	-	-	-	-	-	(186,555)	(186,555)
Buy-back of shares (Note 13)	-	-	-	-	(8,939)	(8,939)	-	(8,939)
Transfer from PRC statutory reserve	-	-	-	(97,051)	97,051	-	-	-
At 30 June 2020	74,033,624	302,114	(11,569,818)	10,172,471	222,147,541	295,085,932	12,278,591	307,364,523

Note: PRC statutory reserve of the Group represents general and development fund reserve applicable to subsidiaries which was established in accordance with the relevant People's Republic of China ("PRC") regulations.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	25,279,768	25,841,624
Increase in stock of properties and other inventories, and deposits for land use rights for property development	(3,861,565)	(23,438,032)
Increase in trade and other receivables, and deposits and prepayments	(2,319,865)	(1,676,549)
(Increase)/decrease in contract assets	(2,725,854)	389,859
Increase in trade and other payables, and pre-sales proceeds	2,521,798	2,750,495
Other movements in working capital	1,329,092	(1,187,452)
Cash generated from operations	20,223,374	2,679,945
Income taxes paid	(13,167,315)	(9,622,966)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	7,056,059	(6,943,021)
INVESTING ACTIVITIES		
Interest received	993,707	726,413
Dividends received from associates	401,009	299,879
Dividends received from joint ventures	548,466	90,000
Additions of investment properties	(7,469,561)	(4,101,571)
Repayment from associates	1,188,803	3,222,231
Advances to joint ventures	(733,454)	(4,193,218)
Repayment from joint ventures	1,041,067	728,885
Capital distribution from a joint venture	1,431,626	–
Capital contributions to joint ventures	(49,095)	(375,266)
Net proceeds on disposal of investment properties	–	1,312,886
Other investing cash flows	(132,609)	76,001
NET CASH USED IN INVESTING ACTIVITIES	(2,780,041)	(2,213,760)

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
FINANCING ACTIVITIES		
Interest paid	(4,289,996)	(3,557,909)
New bank and other borrowings raised	21,234,164	36,416,482
Repayment of bank and other borrowings	(16,449,430)	(14,860,000)
Issue of notes	10,680,781	3,500,000
Redemption of notes	–	(5,950,932)
Repayment to non-controlling shareholders	(1,633,199)	(946,439)
Advances from non-controlling shareholders	2,952,164	1,898,373
Contributions from non-controlling shareholders	321,851	264,130
Repayment to joint ventures	(1,193,966)	(300,014)
Advances from joint ventures	1,929,170	1,215,642
Other financing cash flows	(504,253)	629,140
NET CASH GENERATED FROM FINANCING ACTIVITIES	13,047,286	18,308,473
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,323,304	9,151,692
CASH AND CASH EQUIVALENTS AT 1 JANUARY	92,894,556	83,996,069
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	174,046	91,835
CASH AND CASH EQUIVALENTS AT 30 JUNE	110,391,906	93,239,596
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	111,384,880	97,919,299
Less: restricted bank deposits	(992,974)	(4,679,703)
	110,391,906	93,239,596

Notes to the Financial Statements

1. Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated financial statements should be read in conjunction with the Group’s 2019 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

These condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

Certain comparative information has been reclassified to conform with current period’s presentation.

Pursuant to the change of presentation currency from Hong Kong dollars to Renminbi (“RMB”) of the Group’s consolidated financial statements as described in the Group’s annual financial statements for the year ended 31 December 2019, the comparative figures for the corresponding period in 2019 in these condensed consolidated financial statements have been restated with no material impact on the Group’s condensed consolidated financial statements.

Notes to the Financial Statements (Continued)

1. Basis of Preparation (Continued)

The financial information relating to the year ended 31 December 2019 included in the condensed consolidated financial statements for the six months ended 30 June 2020 does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) 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 Hong Kong Companies Ordinance. The Company's auditor has reported on the financial statements of the Group for that year. 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 (3) of the Hong Kong Companies Ordinance.

2. Application of New and Revised HKFRSs

The accounting policies applied are consistent with those of the Group's annual financial statements for the year ended 31 December 2019 as described in those annual financial statements, except for the adoption of new and revised standards or amendments effective for the financial year ending 31 December 2020.

In the current interim period, the Group has applied, for the first time, the following new and revised standards or amendments issued by the HKICPA which are relevant to the Group:

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

The application of the above new and revised standards or amendments has had no material impact on the Group's results and financial position.

Notes to the Financial Statements (Continued)

2. Application of New and Revised HKFRSs (Continued)

The Group has not early adopted the following new and revised standards or amendments that have been issued but are not yet effective:

Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ³
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds Before Intended Use</i> ³
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ³
Annual Improvements 2018-2020 Cycle	<i>Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41</i> ³
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ No mandatory effective date yet determined but available for early adoption

The Group has already commenced an assessment of the impact of the new and revised standards or amendments, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure, recognition and remeasurement of certain items in the condensed consolidated financial statements.

Notes to the Financial Statements (Continued)

3. Financial Risk Management

In the normal course of business, the Group is exposed to financial risks attributable to interest rates, foreign currency, credit, liquidity and fair value.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2019 annual financial statements.

There have been no significant changes in the risk management department, policies and procedures since the last year end.

4. Estimates

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

5. Revenue and Contribution

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's management for the purposes of resources allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property development	–	sales from property development activities
Property investment	–	property rentals
Other operations	–	revenue from hotel operations, provision of construction and building design consultancy services

Notes to the Financial Statements (Continued)

5. Revenue and Contribution (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results (including share of results of associates and joint ventures) by reportable segments:

Six months ended 30 June 2020 - Unaudited

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Total RMB'000
Revenue from contracts with customers				
– Recognised at a point in time	74,749,526	–	–	74,749,526
– Recognised over time	11,596,138	–	356,758	11,952,896
	86,345,664	–	356,758	86,702,422
Revenue from other sources				
– Rental income	–	1,922,976	–	1,922,976
Segment revenue – External	86,345,664	1,922,976	356,758	88,625,398
Segment profit (including share of profits of associates and joint ventures)	27,386,299	6,493,906	5,232	33,885,437

Notes to the Financial Statements (Continued)

5. Revenue and Contribution (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2019 - Unaudited

	Property development RMB'000 (Restated)	Property investment RMB'000 (Restated)	Other operations RMB'000 (Restated)	Total RMB'000 (Restated)
Revenue from contracts with customers				
– Recognised at a point in time	68,472,466	–	–	68,472,466
– Recognised over time	9,176,125	–	376,624	9,552,749
	77,648,591	–	376,624	78,025,215
Revenue from other sources				
– Rental income	–	1,810,813	–	1,810,813
Segment revenue – External	77,648,591	1,810,813	376,624	79,836,028
Segment profit (including share of profits of associates and joint ventures)	26,880,215	5,885,997	10,730	32,776,942

Notes to the Financial Statements (Continued)

5. Revenue and Contribution (Continued)

Reconciliation of reportable segment profits to the consolidated profit before tax

Segment profits include profits from subsidiaries and share of profits of associates and joint ventures. This represents the profit earned by each segment without allocation of interest income on bank deposits, corporate expenses, finance costs and net foreign exchange (losses)/gains recognised in the condensed consolidated income statement. This is the measure reported to management of the Group for the purposes of resources allocation and performance assessment.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Reportable segment profits	33,885,437	32,776,942
Unallocated items:		
Interest income on bank deposits	726,277	636,995
Corporate expenses	(208,280)	(248,582)
Finance costs	(430,691)	(406,825)
Net foreign exchange (losses)/gains recognised in the condensed consolidated income statement	(599,451)	63,409
Consolidated profit before tax	33,373,292	32,821,939

Notes to the Financial Statements (Continued)

6. Finance Costs

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Interest on bank and other borrowings and notes payable	4,160,858	3,728,170
Interest on amounts due to non-controlling shareholders and affiliated companies	213,846	277,815
Interest on lease liabilities and other finance costs	77,256	102,550
Total finance costs	4,451,960	4,108,535
Less: Amount capitalised	(4,021,269)	(3,701,710)
	430,691	406,825

7. Income Tax Expenses

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Current tax:		
PRC Corporate Income Tax ("CIT")	5,989,009	6,099,598
PRC Land Appreciation Tax ("LAT")	2,511,209	4,759,654
PRC withholding income tax	241,842	151,537
Hong Kong profits tax	39,128	28,257
Macau income tax	–	15,495
Others	942	1,010
	8,782,130	11,055,551
(Over)/under-provision in prior periods:		
Hong Kong profits tax	(175)	74
	(175)	74
Deferred tax:		
Current period	1,788,237	1,032
Total	10,570,192	11,056,657

Notes to the Financial Statements (Continued)

7. Income Tax Expenses (Continued)

Under the Law of PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2019: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the period.

Macau income tax is calculated at the prevailing tax rate of 12% (2019: 12%) in Macau.

8. Profit for the Period

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Depreciation	192,698	124,248
Interest income	(925,555)	(882,924)
Net foreign exchange losses/(gains)	599,451	(63,409)

Notes to the Financial Statements (Continued)

9. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	20,526,531	21,324,997
	Six months ended 30 June	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	10,956,199	10,956,201

Pursuant to the share options granted on 29 June 2018 (Note 13), there were dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019, however, the impact on diluted earnings per share is insignificant for both periods.

Notes to the Financial Statements (Continued)

10. Dividends

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Dividends recognised as distribution during the period		
2019 final dividend of HK57 cents per share paid on 15 July 2020 (2019: 2018 final dividend of HK50 cents per share paid on 5 July 2019)	5,651,542	4,771,426

The Board has determined that an interim dividend of HK45 cents (2019: HK45 cents) per share, amounting to approximately RMB4,350,323,000 (2019 restated: RMB4,294,283,000) will be paid to owners of the Company whose names appear in the Register of Members on 22 September 2020. The amount of interim dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the condensed consolidated financial statements, has not been recognised as a liability in the condensed consolidated financial statements. It will be recognised in the owners' equity for the year ending 31 December 2020.

11. Trade and other Receivables

Proceeds receivable in respect of property development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from property development and rental income from lease of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

Notes to the Financial Statements (Continued)

11. Trade and other Receivables (Continued)

The following is an ageing analysis of trade receivables presented at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables, aged		
0–30 days	8,126,148	6,775,299
31–90 days	514,824	290,480
Over 90 days	1,270,539	1,207,510
	9,911,511	8,273,289
Other receivables	2,574,285	2,658,229
	12,485,796	10,931,518

12. Trade and other Payables

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables, aged		
0–30 days	18,939,542	20,544,498
31–90 days	3,909,842	2,183,732
Over 90 days	24,897,523	21,315,096
	47,746,907	44,043,326
Other payables	10,601,469	10,318,488
Retentions payable	10,314,616	11,450,217
	68,662,992	65,812,031

Other payables mainly include rental and other deposits, other taxes payable and accrued charges.

Notes to the Financial Statements (Continued)

13. Share Capital

	Number of shares '000	Value HK\$ '000	Value RMB '000
Issued and fully paid:			
At 1 January 2020	10,956,201	90,420,438	74,033,624
Buy-back of shares (Note)	(416)	–	–
At 30 June 2020	10,955,785	90,420,438	74,033,624

Note:

During the six months ended 30 June 2020, the Company bought back a total of 416,500 (2019: Nil) of its shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of RMB8,939,000 (inclusive of transaction costs) which was paid fully out of the Company's retained profits in accordance with Section 257 of the Hong Kong Companies Ordinance. All shares bought back were subsequently cancelled and the total amount paid for the buy-back of the shares has been charged to retained profits of the Company.

Share-based Payments

Share Option Schemes by the Company

On 29 June 2018, the Company offered to grant share options (the "Share Options") to certain eligible persons (collectively, the "Grantees"), to subscribe for a total of 107,320,000 shares of the Company, subject to acceptance of the Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 107,320,000 Share Options granted, a total of 3,150,000 Share Options were granted to directors of the Company. The exercise price is HK\$25.85 per share.

One-third of the Share Options granted would vest on each of 29 June 2020, 29 June 2021 and 29 June 2022.

Notes to the Financial Statements (Continued)

13. Share Capital (Continued)

Share-based Payments (Continued)

Share Option Schemes by the Company (Continued)

The fair value of the Share Options on 29 June 2018 determined using the Binomial Options Pricing Model was HK\$6.36 per share. The significant inputs adopted in the model include:

Risk-free rate	2.12% with reference to the market yield rates of the Hong Kong Government Bond (maturing 21 June 2021 and 6 December 2021) as of 29 June 2018
Historical volatility	31.91% calculated based on the historical price with period equals to the life the Share Options
Cap of the share-based Payments	40% of respective Grantees' remuneration
Dividend yield	3.09% based on the average dividend yield in the past six years
Expected option life	6 years

The Binomial Options Pricing Model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Set out below are movements of the Share Options during the period:

	2020		2019	
	Average exercise price per share	Number of Share Options '000	Average exercise price per share	Number of Share Options '000
At 1 January	HK\$25.85	102,310	HK\$25.85	105,040
Forfeited during the period	HK\$25.85	(4,030)	HK\$25.85	(1,620)
At 30 June	HK\$25.85	98,280	HK\$25.85	103,420

Notes to the Financial Statements (Continued)

13. Share Capital (Continued)

Share-based Payments (Continued)

Share Option Schemes by the Company (Continued)

No options were granted, expired or exercised during the period.

Share options outstanding at the end of the period have the following expiry date and exercise price:

Grant Date	Expiry date	Exercise price per share	Number of share options
29 June 2018	28 June 2024	HK\$25.85	98,280,000
Weighted average remaining contractual life of options outstanding at end of the period			4 years

Notes to the Financial Statements (Continued)

14. Notes payable – due after one year

During the six months ended 30 June 2020, the Group issued the following new notes:

Issue date	Principal amount (in million)	Issue price	Fixed interest rate per annum	Maturity date	Carrying amount at 30 June 2020 RMB'000
2 March 2020	US\$300 (approximately RMB2,077)	99.57%	2.375% ⁽ⁱ⁾	2 March 2025	2,094,892
2 March 2020	US\$500 (approximately RMB3,462)	99.247%	2.75% ⁽ⁱ⁾	2 March 2030	3,479,921
2 March 2020	US\$200 (approximately RMB1,385)	99.857%	3.125% ⁽ⁱ⁾	2 March 2035	1,400,019
28 April 2020	RMB3,700 ⁽ⁱⁱⁱ⁾	100%	2.5% ⁽ⁱⁱ⁾	28 April 2038	3,700,000

Notes:

(i) Interest is payable semi-annually.

(ii) Interest is payable annually.

(iii) Representing commercial mortgage-backed securities with terms for granting the Group with redemption and adjustment of the interest rate options, and investors with sell back portion at the end of every three years from issue date. The securities are guaranteed by a subsidiary of the Company, and secured by investment properties with an aggregate carrying value of RMB5,144,921,000 at 30 June 2020 and rental receivables of those investment properties. The registration for the charge over the investment properties was completed in July 2020.

Notes to the Financial Statements (Continued)

15. Capital Commitments

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Capital expenditure in respect of investment properties:		
Contracted but not provided for	4,347,175	3,906,853

16. Financial Guarantees

Guarantees given by the Group to banks in respect of credit facilities granted to:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Associates		
– Maximum	1,736,458	1,382,244
– Utilised	1,736,458	1,382,244
Joint ventures		
– Maximum	651,581	509,150
– Utilised	651,581	509,150

At 30 June 2020, the Group had counter indemnities amounted to RMB227,574,000 (31 December 2019: RMB474,143,000) for guarantees issued in respect of certain construction contracts undertaken by the Group.

Notes to the Financial Statements (Continued)

16. Financial Guarantees (Continued)

At 30 June 2020, the Group provided guarantees amounted to RMB56,944,686,000 (31 December 2019: RMB55,181,500,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

The directors of the Company considered that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

17. Pledge of Assets

At the end of the reporting period, certain assets of the Company's subsidiaries have been pledged to secure the bank borrowings of the Company's subsidiaries. The carrying values of the pledged assets at 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Investment properties	1,678,456	2,444,810
Stock of properties	9,478,080	12,384,085
	11,156,536	14,828,895

Notes to the Financial Statements (Continued)

18. Related Party Transactions

- (a) In addition to those balances and transactions disclosed elsewhere in the condensed consolidated financial statements, the Group also had the following material transactions with related parties during the period:

Nature of transaction	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Fellow subsidiaries			
Property development			
project construction fee	(a)	4,572,741	2,848,103
Rental and utility income	(b)	25,215	27,923
Heating pipes connection service fee	(a)	8,009	–
Building design consultancy income	(c)	3,332	1,634
Property management fee	(d)	239,516	185,602
Engineering service fee	(d)	18,354	16,563
Sales of properties	(e)	–	191,360
Associates			
Interest income	(f)	121,549	143,881
Royalty income	(g)	160,570	109,061
Lease payments	(b)	3,668	7,257
Joint ventures			
Interest income	(f)	36,083	96,334

Notes to the Financial Statements (Continued)

18. Related Party Transactions (Continued)

(a) (Continued)

Notes:

- (a) *Property development project construction fee and heating pipes connection service fee are charged in accordance with respective contracts. The amounts represent aggregated transaction amounts during the period in relation to contracts signed in current and prior periods.*
- (b) *Rental and utility income and lease payments are charged in accordance with respective tenancy agreements.*
- (c) *Building design consultancy income is charged in accordance with respective contracts.*
- (d) *Property management fee and engineering service fee are charged at rates in accordance with respective contracts.*
- (e) *On 29 November 2018, the Group entered into sale and purchase agreements with certain subsidiaries of China Overseas Property Holdings Limited, a fellow subsidiary of the Company, for the disposal of car parking spaces and office units in the PRC at a total consideration of approximately RMB191.4 million, which was determined after arm's length negotiations between both parties and having taken into account the valuation conducted by an independent valuer. The transaction was completed during 2019, and no such transaction was noted in this period.*
- (f) *Interest income is charged at interest rates as specified on the outstanding amounts.*
- (g) *Royalty income is charged at annual fee as specified in the contracts.*

- (b) The remuneration of the Company's directors and other members of key management of the Group during the period were as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Basic salaries, housing allowances, bonus, other allowances and benefits in kind	35,003	52,114
Provident Fund contribution	1,541	1,286
	36,544	53,400

Interim Dividend and Closure of Register of Members

The board of directors of the Company (the “**Board**”) declared the payment of an interim dividend of HK45 cents per Share (2019: HK45 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	18 September 2020
Latest time to lodge transfer documents for registration with the Company’s registrar and transfer office	At 4:30 p.m. on 21 September 2020
Closure of Register of Members	22 September 2020
Record date	22 September 2020
Despatch of dividend warrants	5 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 the Company’s registrar and transfer office 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 total number of Shares in issue as at 30 June 2020 was 10,955,785,035 ordinary shares.

Purchase, Sale or Redemption of the Group’s Listed Securities

Buy-back of Shares

During the six months ended 30 June 2020, the Company bought back a total of 416,500 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$9,939,385. All Shares bought back were subsequently cancelled during the period.

Others (Continued)

Purchase, Sale or Redemption of the Group's Listed Securities

(Continued)

Buy-back of Shares (Continued)

Details of the Shares bought back during the period are as follows:

Month	Number of Shares bought back	Price paid per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June 2020	416,500	23.95	23.75	9,939,385

Issue of Listed Securities

On 28 April 2020, Beijing China Overseas Plaza Commercial Development Ltd.* (the "Beijing China Overseas Plaza"), a wholly-owned subsidiary of the Company, issued RMB3,701,000,000 green commercial mortgage-backed securities (due April 2038), which includes preferred class securities of RMB3,700,000,000 2.5 per cent. and equity class securities of RMB1,000,000 (Beijing China Overseas Plaza subscribed for all equity class securities) ("CMBS 1").

On 18 August 2020, Beijing China Overseas Plaza issued RMB3,001,000,000 green commercial mortgage-backed securities (due August 2038), which includes preferred class securities of RMB3,000,000,000 3.9 per cent. and equity class securities of RMB1,000,000 (Beijing China Overseas Plaza subscribed for all equity class securities) ("CMBS 2").

The net proceeds, after deducting the expenses in connection with the issue of CMBS 1 and CMBS 2, amounted to approximately RMB3,694,720,000 and RMB2,995,730,000 respectively, and will be used to repay existing indebtedness and outstanding liabilities of the Group. CMBS 1 and CMBS 2 are both listed on the Shenzhen Stock Exchange and are guaranteed by a subsidiary of the Company and secured with the Group's properties and rental receivables.

On 14 August 2020, China Overseas Development Group Co., Ltd.*, a wholly-owned subsidiary of the Company, issued RMB2,000,000,000 3.2 per cent. rental housing corporate bonds due August 2026. The net proceeds, after deducting the expenses in connection with the issue of the corporate bonds, amounted to approximately RMB1,997,150,000 and are used for rental housing construction projects and general working capital requirements of the Group. The corporate bonds are listed on the Shenzhen Stock Exchange.

* English translation for identification purpose only

Purchase, Sale or Redemption of the Group's Listed Securities

(Continued)

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2020 and up to the date of this Interim Report[#].

Directors' and Chief Executive's Interests in Securities

As of 30 June 2020, the directors of the Company (the "Directors") and the chief executive officer of the Company 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

(a) Long Positions in Shares and Underlying Shares of the Company

(i) Long Positions in Ordinary Shares

(all being personal interest and being held in the capacity of beneficial owner)

Name of Directors	Number of Shares held	% of Shares in issue (Note 1)
Dr. Fan Hsu Lai Tai, Rita	32,000	0.0003%
Mr. Li Man Bun, Brian David	5,460,000	0.0498%

Note:

- The percentage is based on the total number of Shares in issue as at 30 June 2020 (i.e. 10,955,785,035 Shares).

[#] Refer to the date of interim results announcement of the Company (i.e. 24 August 2020)

Others (Continued)

Directors' and Chief Executive's Interests in Securities (Continued)

(a) Long Positions in Shares and Underlying Shares of the Company (Continued)

- (ii) Long Positions in Share Options relating to Ordinary Shares
(all being personal interest and being held in the capacity of beneficial owner)

Name of Directors	Date of grant of Share Options (DD.MM.YYYY)	Number of Share Options					Balance as at 30 June 2020	Exercise period of Share Options (both days inclusive)* (DD.MM.YYYY)	Subscription price of Share Options (per share) HK\$	Price of ordinary shares at date immediately before the exercise date** HK\$	Price of ordinary shares at date immediately before the exercise date*** HK\$
		Balance as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30 June 2020					
Mr. Yan Jianguo	29.06.2018	700,000	-	-	-	700,000	29.06.2020 to 28.06.2024	25.85	24.65	-	
Mr. Luo Liang	29.06.2018	700,000	-	-	-	700,000	29.06.2020 to 28.06.2024	25.85	24.65	-	
Mr. Zhang Zhichao	29.06.2018	550,000	-	-	-	550,000	29.06.2020 to 28.06.2024	25.85	24.65	-	
Mr. Guo Guanghui	29.06.2018	600,000	-	-	-	600,000	29.06.2020 to 28.06.2024	25.85	24.65	-	
Mr. Zhuang Yong	29.06.2018	600,000	-	-	-	600,000	29.06.2020 to 28.06.2024	25.85	24.65	-	

Notes to the above share options (the "Share Options") granted pursuant to the share option scheme adopted by the Company on 11 June 2018 (the "Share Option Scheme"):

- (a) One-third of Share Options granted will be vested on 29 June 2020, 29 June 2021 and 29 June 2022 respectively.
- (b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.
- (c) The long positions so updated are consistent with the Company's record of Share Option(s) granted.

* If the last day of an exercise period is not a business day in Hong Kong, such exercise period shall end at the close of business on the business day immediately preceding that day.

** The price of the Company's ordinary shares disclosed as "immediately before date of grant" is the closing price of the Shares on the Stock Exchange on the business day prior to which the Share Options were granted.

*** The price of the Company's ordinary shares disclosed as "immediately before the exercise date" is the weighted average closing price of the Shares on the Stock Exchange immediately before the dates on which the Share Options were exercised by each of the Directors or all other eligible persons as an aggregate whole.

Directors' and Chief Executive's Interests in Securities (Continued)

(b) Long Positions in Shares and Underlying Shares of the Associated Corporations
(all being personal interest and being held in the capacity of beneficial owner)

Name of Directors	Number of shares held (Notes 6 & 7)	% of shares in issue (Notes 1, 2, 3, 4 & 5)
– China State Construction Engineering Corporation Limited (“CSCECL”)		
Mr. Luo Liang	294,000	0.001%
Mr. Zhang Zhichao	140,000	0.000%
Mr. Guo Guanghui	210,000	0.001%
Mr. Zhuang Yong	140,000	0.000%
– China State Construction International Holdings Limited (“CSCIHL”)		
Mr. Luo Liang	3,531,469	0.070%
– China Overseas Property Holdings Limited (“COPH”)		
Mr. Zhuang Yong	10,000	0.000%
Mr. Li Man Bun, Brian David	1,820,000	0.055%
– China Overseas Grand Oceans Group Limited (“COGO”)		
Mr. Luo Liang	105,000	0.003%
– China State Construction Development Holdings Limited (“CSCDH”)		
Mr. Zhang Zhichao	2,984,000	0.138%

Others (Continued)

Directors' and Chief Executive's Interests in Securities (Continued)

(b) Long Positions in Shares and Underlying Shares of the Associated Corporations (Continued)

Notes:

1. The percentage is based on the total number of shares of CSCECL in issue as at 30 June 2020 (i.e. 41,965,071,511 shares).
2. The percentage is based on the total number of shares of CSCIHL in issue as at 30 June 2020 (i.e. 5,049,156,668 shares).
3. The percentage is based on the total number of shares of COPH in issue as at 30 June 2020 (i.e. 3,286,860,460 shares).
4. The percentage is based on the total number of shares of COGO in issue as at 30 June 2020 (i.e. 3,423,359,841 shares).
5. The percentage is based on the total number of shares of CSCDH in issue as at 30 June 2020 (i.e. 2,155,545,000 shares).
6. Mr. Luo Liang and Mr. Guo Guanghui acquired 210,000 "A" shares and 150,000 "A" shares in CSCECL respectively at RMB4.866 per share on 29 December 2016 in accordance with the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL. CSCECL issued bonus shares on the basis of four bonus A-shares for every ten existing A-shares on 29 June 2018. Mr. Luo Liang and Mr. Guo Guanghui were awarded 84,000 "A" shares and 60,000 "A" shares in CSCECL respectively.
7. Each of Mr. Zhuang Yong and Mr. Zhang Zhichao holds 140,000 "A" shares in CSCECL under the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL together with bonus shares on the basis of four bonus "A" shares for every ten existing "A" shares.

Save as disclosed above, no interests and short positions were held or deemed or taken to be held by any Director or chief executive officer 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) as at 30 June 2020 which were required to be notified to the Company and the Stock Exchange 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.

Save as disclosed above and in the section headed "Share Option Scheme", during the six months ended 30 June 2020, none of the Directors or chief executive officer of the Company (including their spouses and children under the age of 18) had any interest in or had been granted any right 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 of 30 June 2020, the following parties (other than Directors or the chief executive officer of the Company) were the substantial shareholders of the Company and had interests 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 shareholders	Number of Shares and underlying Shares held			% of Shares in issue (Note 1)			Capacity
	(Long Position)	(Short Position)	(Lending Pool)	(Long Position)	(Short Position)	(Lending Pool)	
Silver Lot Development Limited (" Silver Lot ")	521,264,928	-	-	4.76%	-	-	Beneficial owner
China Overseas Holdings Limited (" COHL ") (Note 2)	5,613,080,255	111,564,090 (Note 4)	-	51.23%	1.02%	-	Beneficial owner
	521,264,928	-	-	4.76%	-	-	Interest of controlled corporation
CSCECL (Note 3)	6,134,345,183	111,564,090 (Note 4)	-	55.99%	1.02%	-	Interest of controlled corporation
China State Construction Engineering Corporation (" CSCEC ") (Note 3)	6,134,345,183	111,564,090 (Note 4)	-	55.99%	1.02%	-	Interest of controlled corporation
Complete Noble Investments Limited (" Complete Noble ") (Notes 5 and 6)	1,095,620,154	-	-	10.00%	-	-	Beneficial owner
Affluent East Investments Limited (" Affluent East ") (Notes 5 and 6)	1,095,620,154	-	-	10.00%	-	-	Interest of controlled corporation
CITIC Limited (" CITIC ") (Notes 5 and 6)	1,095,620,154	-	-	10.00%	-	-	Interest of controlled corporation
CITIC Glory Limited (" CITIC Glory ") (Note 6)	1,095,620,154	-	-	10.00%	-	-	Interest of controlled corporation
CITIC Polaris Limited (" CITIC Polaris ") (Note 6)	1,095,620,154	-	-	10.00%	-	-	Interest of controlled corporation
CITIC Group Corporation (" CITIC Group ") (Note 6)	1,095,620,154	-	-	10.00%	-	-	Interest of controlled corporation

Others (Continued)

Substantial Shareholders' Interests in Securities (Continued)

Notes:

1. The percentage is based on the total number of Shares in issue as at 30 June 2020 (i.e. 10,955,785,035 Shares).
2. Silver Lot is a direct wholly-owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.
3. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.
4. On 5 January 2016, a subsidiary of COHL (the "Issuer") issued exchangeable bonds (the "Bonds") with the aggregate principal amount of US\$1,500,000,000 which are exchangeable into 280,124,096 shares of the Company. On 5 January 2020, the Issuer redeemed US\$902,600,000 in aggregate principal amount of the Bonds at an aggregate redemption price of US\$1,006,760,040. The redeemed Bonds have been cancelled pursuant to the terms and conditions of the Bonds. After that the remaining Bonds can be exchangeable into 111,564,090 shares of the Company.
5. Complete Noble is a direct wholly-owned subsidiary of Affluent East, which in turn is a direct wholly-owned subsidiary of CITIC.
6. More than 50% of CITIC is held by CITIC Glory and CITIC Polaris, both of which are direct wholly-owned subsidiaries of CITIC Group, in aggregate. Accordingly, CITIC is an indirect non wholly-owned subsidiary of CITIC Group and Affluent East, CITIC, CITIC Glory, CITIC Polaris and CITIC Group are all deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Complete Noble is or is taken to be interested.

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the chief executive officer 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.

Share Option Scheme

The Share Option Scheme was approved and adopted by shareholders of the Company on 11 June 2018 to enable the qualified grantees to acquire ordinary shares of the Company and unless otherwise cancelled or amended, it will remain in force for 10 years from 11 June 2018. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses, to provide additional incentives to the qualifying grantee (being, among others, any employee of the Group or such other persons that have contributed to the Group as specified in the Share Option Scheme) that have contributed to the Group; and to promote the long term financial success of the Group by aligning the interests of Share Option holders with shareholders of the Company.

Share Option Scheme (Continued)

The limit on the number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No share options may be granted under any scheme of the Company if this will result in the limit being exceeded.

The number of Shares in respect of the Share Options that may be granted according to the Share Option Scheme shall not exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme (i.e. 11 June 2018). On the basis of 10,956,201,535 Shares in issue as at 11 June 2018, this would be 1,095,620,153 Shares.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares issued and to be issued upon exercise of the Share Options (whether exercised or outstanding) granted to each of the eligible persons in any 12-month period under the Share Options shall not exceed 1% of the Shares in issue.

Unless otherwise approved by shareholders of the Company in a general meeting, no Share Option may be granted to any substantial shareholder of the Company, independent non-executive Directors or their respective associates, that would result in the Shares issued or to be issued to such person in the 12-month period up to and including the date of Board meeting proposing for the grant (i) exceeding 0.1% of the Shares in issue from time to time; and (ii) in aggregate exceeding HK\$5 million based on the closing price of the Shares at the date of the Board meeting proposing for such grant.

The subscription price in respect of any particular Share Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Share Option, but shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

Others (Continued)

Share Option Scheme (Continued)

The period within which the Shares must be taken up under a Share Option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 6 years from the date of grant of the relevant Share Option.

HK\$1.00 is payable by each of the Share Option holders to the Company on the acceptance of the offer of the Share Option and HK\$404.00 has been paid in 2018.

Other details of the Share Option Scheme are set out in Appendix III to the circular published by the Company on 16 April 2018.

On 29 June 2018, a total of 107,320,000 Share Options had been granted to, and subsequently accepted in whole by 5 Directors (including the two Directors appointed on 11 February 2020) and 399 other eligible persons under the Share Option Scheme, of which 2,280,000 Share Options and 2,730,000 Share Options had been lapsed with the subscription price of HK\$25.85 per share during the years of 2018 and 2019 respectively.

During the reporting period, 4,030,000 Share Options were lapsed with the subscription price of HK\$25.85 per share and 32,746,000 Share Options have been vested. Save as disclosed above, no Share Option was granted, lapsed, exercised or cancelled during the six months ended 30 June 2020.

Share Option Scheme (Continued)

During the six months ended 30 June 2020, save as disclosed in the section of “Directors’ and Chief Executive’s Interests in Securities”, details of the movements of the Share Options under the Share Option Scheme are as follows:

Participants	Date of grant of Share Options (DD.MM.YYYY)	Number of Share Options				Balance as at 30 June 2020	Total consideration paid for Share Options granted HK\$	Exercise period of (both days inclusive)* (DD.MM.YYYY)	Subscription price of Share Options HK\$ (per share)	Price of ordinary shares at date immediately before the grant** HK\$ (per share)	Price of ordinary shares at date immediately before the exercise date*** HK\$ (per share)
		Balance as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled/lapsed during the period						
Other eligible persons	29.06.2018	99,160,000	-	-	4,030,000	95,130,000	399	29.06.2020 to 28.06.2024	25.85	24.65	-

Notes to the above Share Options granted pursuant to the Share Option Scheme:

- (a) One-third of Share Options granted will be vested on 29 June 2020, 29 June 2021 and 29 June 2022 respectively.
- (b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

* If the last day of an exercise period is not a business day in Hong Kong, such exercise period shall end at the close of business on the business day immediately preceding that day.

** The price of the Company’s ordinary shares disclosed as “immediately before date of grant” is the closing price of the Shares on the Stock Exchange on the business day prior to which the Share Options were granted.

*** The price of the Company’s ordinary shares disclosed as “immediately before the exercise date” is the weighted average closing price of the Shares on the Stock Exchange immediately before the dates on which the Share Options were exercised by each of the Directors or all other eligible persons as an aggregate whole.

Others (Continued)

Corporate Governance

The Company has complied throughout the six months ended 30 June 2020 with all the code provisions (except A.4.1 as explained below) of the Corporate Governance Code (“**CG Code**”) from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with some of the recommended best practices contained therein.

CG Code A.4.1 stipulates that non-executive directors should be appointed for a specific term. The non-executive Directors (as well as all other Directors) are not appointed for a specific term. All the Directors are nevertheless subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted a set of code of conduct on governing securities transactions by directors (the “**Code of Conduct**”) on terms no less exacting than those set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, they confirmed that they have complied with the Model Code and the Code of Conduct throughout the six months ended 30 June 2020.

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:

Name of Directors	Details of changes
Mr. Zhang Zhichao	<ul style="list-style-type: none"> Appointed the director of China Overseas Holdings Limited
Mr. Zhuang Yong	<ul style="list-style-type: none"> Appointed the director of China Overseas Holdings Limited
Professor Chan Ka Keung, Ceajer	<ul style="list-style-type: none"> Received the Honorary Doctorate from The Hong Kong University of Science and Technology in July 2020

Review of Interim Report by Audit and Risk Management Committee

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

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