



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

Stock Code 股份代號: 00081

凝心聚力 · 闊步前行

Together We Advance

2021

INTERIM REPORT  
中期報告

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# Board of Directors and Committees

## EXECUTIVE DIRECTORS

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

## NON-EXECUTIVE DIRECTORS

Yan Jianguo *(resigned w.e.f. 22 April 2021)*  
Guo Guanghui *(appointed w.e.f. 22 April 2021)*  
Yung Kwok Kee, Billy *Vice Chairman*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUTHORIZED REPRESENTATIVES

Zhuang Yong  
Yang Lin

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

\* *Committee Chairman*

# Corporate and Shareholders' Information

## CORPORATE INFORMATION

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

## COMPANY SECRETARY

Anita Wong

## SHARE REGISTRAR

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

## LEGAL ADVISOR

Mayer Brown

## AUDITOR

BDO Limited  
Certified Public Accountants

## PRINCIPAL BANKERS

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

## SHAREHOLDERS' INFORMATION

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

Ordinary Shares (as at 30 June 2021)  
Shares outstanding 3,423,359,841 shares

## STOCK CODE

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

## INVESTOR RELATIONS

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

## PUBLIC RELATIONS

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

## FINANCIAL CALENDAR

2021 interim results announcement	20 August 2021
Ex-dividend date	20 September 2021
Latest time to lodge transfer documents for registration with the Company's share registrar	At 4:30 p.m. on 21 September 2021
Closure of Register of Members	23 September 2021
Record date	23 September 2021
Despatch date of interim dividend warrants	20 October 2021

## INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2021. The Group's unaudited consolidated profit attributable to owners of the Company for the first half of 2021 was RMB2,700.1 million (the corresponding period in 2020: RMB2,034.8 million), representing an increase of 32.7% over the corresponding period last year. Basic earnings per share were RMB78.9 cents.

At the beginning of the year, many countries around the world began to carry out coronavirus vaccination programs for their citizens, hoping to get out of the extraordinary year of 2020 and rejuvenate the economy the soonest. However, affected by the emergence of coronavirus variant, the speed of the global economic recovery is still uncertain.

Over the past half year, the Group ensured that the pandemic control management was in place. The Group has adjusted the rhythm of property sales and the construction schedule of the projects according to the pandemic situations in various regions to mitigate the impact of uncertainty arising from the pandemic. Therefore, the contracted sales was satisfactory and revenue continued to grow in the first half of the year. Besides, the Group seized the opportunity and successfully completed the issuance of 5-year US\$512 million guaranteed notes in February 2021. The proceeds have been mainly used for refinancing purpose as planned.

## Chairman's Statement *(continued)*

### INTRODUCTION *(continued)*

At present, the scale of the Group's operations is gradually expanding. Riding on the satisfied contracted sales, it speeds up the rhythm of the land acquisition simultaneously. It is also continuing on hunting for premium land pieces with the best investment value, so as to secure a solid foundation for sustainable growth of the business. Firmly adhered to its prudent investment principle, the Group replenished and enlarged its land bank with high quality projects at reasonable costs. In the first half of 2021, the Group newly extended its footprints to Anqing (Anhui province), Yiwu (Zhejiang province) and Huai'an (Jiangsu province) after handpicked. Together with the land pieces purchased in the cities with presence, the Group acquired a total of twenty-six parcels of land with a total gross floor area of about 5,428,100 square meters ("sq.m.") (attributable to the Group: 4,877,300 sq.m.). In addition, the Group has committed to third parties to jointly develop three property projects with a gross floor area of about 614,000 sq.m. (attributable to the Group: 384,100 sq.m.). Thus, the total gross floor area of the land addition during the period was about 6,042,100 sq.m. (attributable to the Group: 5,261,400 sq.m.). As at 30 June 2021, the gross floor area of total land bank of the Group and its associates and joint ventures in China reached 32,835,700 sq.m., of which, about 1,522,100 sq.m. is held by associates and joint ventures. The gross floor area of land bank attributable to the Group (including the interests in associates and joint ventures) is about 28,915,300 sq.m.. The Group held a land bank distributed in 39 cities as at 30 June 2021.

### RESULTS

For the half year ended 30 June 2021, contracted property sales of the Group and its associates and joint ventures was RMB43,287.3 million (the corresponding period in 2020: RMB27,867.5 million), for an aggregated contracted area of 3,185,500 sq.m. (the corresponding period in 2020: 2,420,700 sq.m.), (in which, RMB1,128.6 million the corresponding period in 2020: RMB1,071.2 million for an aggregated contracted area of 60,100 sq.m. the corresponding period in 2020: 88,000 sq.m. was contributed from associates and joint ventures) representing an increase of 55.3% and 31.6% respectively against the same period last year. Besides, as at 30 June 2021, the balance of preliminary sales pending the completion of sales and purchase agreements was RMB1,473.0 million (30 June 2020: RMB1,125.0 million) for an aggregated contracted area of 111,300 sq.m. (30 June 2020: 83,700 sq.m.).

The Group attained a turnover of RMB25,737.7 million (the corresponding period in 2020: RMB16,109.3 million) for the period, representing an increase of 59.8% over the corresponding period last year. Profit attributable to owners of the Company for the period reached RMB2,700.1 million (the corresponding period in 2020: RMB2,034.8 million), 32.7% higher than the same period last year. Basic earnings per share was also up 32.7% comparing with the corresponding period last year, to RMB78.9 cents (the corresponding period in 2020: RMB59.4 cents per share).

### INTERIM DIVIDEND

After reviewing the results performance for the period, working capital requirements for the Group's future expansion of its business and macro-economic environment, the Board is grateful to declare an interim dividend of HK8 cents per share (the corresponding period in 2020: HK7 cents per share).

### PROSPECTS

#### The Economy

The emergence of coronavirus variant has once again made the speed of the global economic recovery uncertain. Relatively, the central government has continued to take prudential measures to respond to the emergence of coronavirus variant. Coupled with proper execution of supportive policies, the China's economy, as a result, rebounded well and macro-economic index have recovered steadily. The Group has full confidence in China's economic development and remains optimistic about the sustained and healthy development of the mainland real estate industry.

## Chairman's Statement *(continued)*

### PROSPECTS *(continued)*

#### Real Estate Development

In view of the global inflationary pressure resulting from abundance of liquidity and the increase in domestic land auction prices, the average selling price of residential property will maintain a slight increase, and the transaction volume of residential property is expected to achieve a new breakthrough in 2021. Nevertheless, under the main principle of "housing is for living in, not for speculation", the central control policies have been effectively implemented. With the "three red lines" on monitoring capital and regulating financing management of the property developers and set up of the real estate loan concentration management system, and also the introduction of the new policy of the "two centralizations of land supply", it is expected that the market expectations and demand will be more stable. It is also laying a firm foundation for the long-term stability and healthy development of the market.

#### Group Strategy

In recent years, stability is the core principle of the central government's policies on the real estate market. The real estate industry is going to revolute. The economic structure is transforming. The process of urbanization is deepening. The demographic structure is changing. Also, the market fragmentation is ongoing. In the current market environment, we will adhere to customer value as the core, adhere to long-termism, strengthen value creation, build corporate comparative advantages, strive to improve internal system governance capabilities, and continue to provide customers with high-quality residential service solutions. The Group will continue to cautiously expand its operating scale and continue to create different values for stakeholders such as customers, employees, suppliers and shareholders.

The promotion of urbanization is conducive to the Group's current business strategy which includes the embracement of the government's urbanization and long-term housing policies and also continuing the proactive and prudent investment strategy. Project developments in popular cities, popular locations and with popular products remain the basic investment theme. The strategy of focusing on metropolitan areas and urban agglomerations will be further optimized. Setting its sights on customers looking for high quality residential properties, development of middle to high-end products is still the core business of the Group.



### **PROSPECTS** *(continued)*

#### **Group Strategy** *(continued)*

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

Property market in China is fragment that development pace and phases of markets in different regions are not the same. The Group closely monitors operating environment and land acquisition opportunities in different regions. After undertaking comprehensive reviews and detailed assessments, it will select qualified property projects with high investment value for expansion to fuel the business growth. To complete strategic geographic development plan, the Group not only replenishes land in its well-performed cities, but also actively explores to penetrate into some new cities, mainly regional economic centres closed to metropolitan areas and with high growth potential, and districts where synergies can be achieved with the existing cities being operated.

Facing the current land auction policy, the Group adopts flexible fund management to enhance the efficiency of land acquisition. Open market land auction has been the major and most important source of land addition. Also, the Group keeps on exploring diversified land acquisition channels in order to accelerate the development pace and maintain a balanced land bank with reasonable investment returns. To broaden its earnings base and balance its risks, the Group continues to look up the opportunities to jointly develop property projects with reliable business partners, including but not limited to reputable property developers and trustworthy financial institutions.

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

## Chairman's Statement *(continued)*

### PROSPECTS *(continued)*

#### Group Strategy *(continued)*

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

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

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

### **PROSPECTS** *(continued)*

#### **Group Strategy** *(continued)*

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

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

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

## Chairman's Statement *(continued)*

### APPRECIATION

Last but not least, I would like to take this opportunity to express my heartfelt thanks to my fellow directors and our committed staff for their dedication, contributions to the Group and the spirit of unity to overcome current difficulties, and our shareholders, customers and business partners for their continued confidence and support during the period.

#### **Zhuang Yong**

*Chairman and Executive Director*

Hong Kong, 20 August 2021

# Management Discussion and Analysis

## REVENUE AND OPERATING RESULTS

Carried on the policy in last year, the Group continues to enhance its operating efficiency, expands its online sales promotional campaigns and maintains its sales rhythm. Thus, the contracted property sales was satisfactory in the first half of the year. The contracted property sales of the Group and its associates and joint ventures reached RMB43,287.3 million, increased by 55.3% against the same period last year, in which, RMB1,128.6 million (the corresponding period in 2020: RMB1,071.2 million) was contributed from associates and joint ventures. Besides, through management of construction procedures, the Group ensured the development progress and the handover schedule of the property projects were on track. The Group's revenue for the six months ended 30 June 2021 reached RMB25,737.7 million, increased by 59.8% against the corresponding period last year. Furthermore, gross profit for the period was RMB6,062.9 million, 15.2% higher than the same period last year while the overall gross profit margin for the period was at its expected level of 23.6% (the corresponding period in 2020: 32.7%).

In terms of expenses, distribution and selling expenses for the period increased by RMB152.4 million against the same period last year to RMB705.5 million. The ratio of distribution and selling expenses to the Group's contracted property sales still maintained at the low level of 1.7%. In addition, as the operating scale has been expanding gradually, administrative expenses for the period increased by RMB62.5 million against the same period last year to RMB538.0 million. The Group maintained stringent cost control while its operating scale is expanding. Thus, the ratio of the administrative expenses to revenue dropped to 2.1% from 3.0% compared with the last corresponding period.

In respect of the investment properties, fair value gain of RMB20.0 million (the corresponding period in 2020: nil) was recognized during the period, which is arisen from the increase in fair value of China Overseas International Center in Beijing. During the period, taking into account of the local market condition, the Group decided to change the use of area in office building, excluding the part held for self-used, in China Overseas Plaza in Lanzhou and shop area in City Plaza in Huizhou from development for sales to investment property for leasing out to generate rental income. As such, a fair value gain of RMB80.7 million (the corresponding period in 2020: RMB8.1 million) from the reclassification of properties was reported.

# Management Discussion and Analysis *(continued)*

## REVENUE AND OPERATING RESULTS *(continued)*

Driven by a rise in gross profit, operating profit amounted to RMB5,111.1 million for the current period under review, an increase of 16.1% comparing with the same period last year.

Total interest expenses for the period increased by RMB94.6 million to RMB820.5 million from RMB725.9 million of last corresponding period, mainly driven by the rise in the overall borrowing balances. Finance costs slightly increased to RMB22.4 million from RMB19.5 million of last corresponding period, after capitalization of RMB798.1 million to the on-going development projects.

During the first half of the year, no revenue from property sales was recognized by the Group's associates and thus, share of loss of associates amounted to RMB0.3 million (the corresponding period in 2020: RMB16.5 million). On the other hand, share of profit of joint ventures amounted to RMB6.4 million (the corresponding period in 2020: RMB7.2 million), which was mainly derived from the recognition of profit from the property projects located in Hefei.

Income tax expenses comprised enterprise income tax and land appreciation tax. The income tax expenses of the period decreased by RMB187.6 million to RMB2,103.5 million as compared with the same period last year, mainly due to decrease in effective tax rate on land appreciation tax as driven by the drop in the gross profit margin. Thus, the effective tax rate of the period dropped 11.1 % compared with the last corresponding period.

For the half year ended 30 June 2021, profit attributable to owners of the Company amounted to RMB2,700.1 million (the corresponding period in 2020: RMB2,034.8 million), an increase of 32.7% against last corresponding period.

## LAND BANK

In the first half year, the Group continued to explore cities with growth potential and entered into three new cities, namely Anqing (Anhui province), Yiwu (Zhejiang province) and Huai'an (Jiangsu province). Other than enriching land bank with land pieces in the new cities, the Group also replenished parcels of land in cities with presence and acquired a total of twenty six parcels of land with a total gross floor area of about 5,428,100 sq.m. (attributable to the Group: 4,877,300 sq.m.) for a total consideration of approximately RMB23,983.2 million in the first half of the year.

## Management Discussion and Analysis *(continued)*

### LAND BANK *(continued)*

The table below shows the details of land parcels acquired during the half year ended 30 June 2021:

No.	City	Name of project	Attributable Interest	Total GFA (sq.m.)
1	Anqing	Yingjiang District Project	100%	640,300
2	Jiujiang	Lianxi District Project #1	100%	221,800
3	Jiujiang	Lianxi District Project #2	100%	220,000
4	Jiujiang	Lianxi District Project #3 (International Community)	100%	381,300
5	Jiujiang	Lianxi District Project #4	100%	318,300
6	Shaoxing	Yuecheng District Project (Marina One)	100%	136,200
7	Zhenjiang	Danyang City Huanan Gaoxin District Project #1	100%	2,900
8	Zhenjiang	Danyang City Huanan Gaoxin District Project #2	100%	4,500
9	Hefei	Xinzhan District Project	100%	155,900
10	Xining	Economic and Technological Development Zone Nanchuan Industrial Park District Project	100%	651,500
11	Quanzhou	Taiwanese Investment Zone Project (Elegance Mansion)	100%	305,700
12	Shantou	Longhu District Project #1	100%	98,300
13	Shantou	Longhu District Project #2	100%	119,200
14	Weifang	Weicheng District Project	100%	61,000
15	Yangzhou	Hanjiang District Project	100%	169,400
16	Xuzhou	Tongshan District Project #1	100%	149,000
17	Jinhua	Wucheng District Project	50%	258,500
18	Yiwu	Yiwu City Project	76%	141,700
19	Yancheng	Yandu District Project	45%	194,300
20	Weinan	Gaoxin District Project	100%	350,400
21	Zhanjiang	Xiashan District Project	50%	114,100
22	Huizhou	Huicheng District Project	50%	70,600
23	Huai'an	Huai'an District Project	100%	114,300
24	Hefei	Feidong County Project	100%	142,200
25	Xuzhou	Tongshan District Project #2	34%	184,200
26	Taizhou	Hailing District Project	70%	222,500
<b>Total</b>				<b>5,428,100</b>

# Management Discussion and Analysis *(continued)*

## **LAND BANK** *(continued)*

In addition, the Group has committed to third parties to jointly develop three property projects with a gross floor area of about 614,000 sq.m. (attributable to the Group: 384,100 sq.m.) for a total land consideration of approximately RMB2,529.8 million. Thus, the total gross floor area of the land addition during the period was about 6,042,100 sq.m. (attributable to the Group: 5,261,400 sq.m.) for a total consideration of approximately RMB26,513.0 million.

As at 30 June 2021, the gross floor area of total land bank of the Group and its associates and joint ventures in China reached 32,835,700 sq.m., of which, 1,522,100 sq.m. is held by associates and joint ventures. The gross floor area of land bank attributable to the Group (including the interests in associates and joint ventures) is 28,915,300 sq.m.. The Group held a land bank distributed among 39 cities as at 30 June 2021.

## **SEGMENT INFORMATION**

### Property Sales and Development

The Group continuously targets at boosting sales and improving the sales-through rate. During the six months ended 30 June 2021, contracted property sales of the Group and its associates and joint ventures amounted to RMB43,287.3 million, representing an increase of 55.3% against the same period last year. The contracted area sold was 3,185,500 sq.m., representing an increase of 31.6% against the same period last year. Of the contracted property sales, RMB1,128.6 million for an aggregated contracted area of 60,100 sq.m. (the corresponding period in 2020: contracted property sales amounted to RMB1,071.2 million for contracted area of 88,000 sq.m.) was contributed from associates and joint ventures. Besides, as at 30 June 2021, the balance of preliminary sales pending the completion of sales and purchase agreements was RMB1,473.0 million for an aggregated contracted area of 111,300 sq.m..



## Management Discussion and Analysis *(continued)*

### SEGMENT INFORMATION *(continued)*

#### Property Sales and Development *(continued)*

Contracted property sales from major projects during the half year ended 30 June 2021:

City	Name of project	Contracted Area (sq.m.)	Amount (RMB Million)
Yinchuan	International Community/Patrimonial Mansion/The Royal Peninsula/ The New Metropolis	515,648	4,976.2
Jinhua	The Central Mansion	155,606	4,793.6
Hefei	Upper East/Royal Villa/The Halo/ Central Mansion/Coli City	193,687	4,397.0
Shantou	The Riviera/Golden Coast/ Platinum Mansion/La Cité	319,863	3,392.4
Changzhou	Clouds Fairyland/South Halcyon/ Platinum Mansion	177,168	2,991.7
Nantong	Jade Park	98,170	2,339.8
Yangzhou	La Rive Gauche/Upper East	140,162	1,944.7
Huizhou	Riverview Mansion/Glorious Palace/ Huizhou Tangquan	127,360	1,776.4
Lanzhou	La Cité/Platinum Giants/Platinum Pleased Mansion/The Platinum Mansion	115,669	1,676.8
Taizhou	The Central Mansion/Gorgeous Mansion*	99,695	1,515.1
Yancheng	Gorgeous Mansion/The Central Mansion/ Glory Mansion	111,442	1,512.1
Hohhot	Zhonghai Shi Li Qing Chuan/Zhonghai He Shan Sheng Jing/Zhonghai He Shan Da Guan/Zhonghai He Shan Yuan Zhu/ Zhonghai He Shan Guan Lan	117,396	1,429.8
Xuzhou	The Central Mansion/The Platinum Pleased Mansion/Patrimonial Mansion	99,440	1,340.1
Quanzhou	River View Mansion/Glorious	101,274	1,108.7
Jining	Coli City/Coli Phoenix Community	80,924	830.4
Jilin	La Cité/Glorioushire/Overlooking River Mansion/International Community	105,660	800.6
Baotou	Wang Jing Mansion/Glorioushire/PT Hyatt	89,661	776.7
Xining	Mountain and Lake/Glorioushire	59,355	661.3
Tangshan	Maple Palace/The Pogoda	28,801	635.6
Weifang	Da Guan Tian Xia/The Phoenix/Royal Villa	83,918	580.0
Nanning	Celestial Heights/Harrow Community/ International Community	34,520	416.3

\* The project is held by the joint venture of the Group

# Management Discussion and Analysis *(continued)*

## SEGMENT INFORMATION *(continued)*

### Property Sales and Development *(continued)*

During the period, gross floor area of 3,350,900 sq.m. of the Group's construction sites were completed for occupation and of which, about 96% were sold out by period end. Coupled with stock sales, recognized revenue of the Group was RMB25,613.7 million (the corresponding period in 2020: RMB15,980.9 million), an increase of 60.3% comparing with the same period last year. The revenue for the current period was mainly recognized from the sales of high-rise residential projects. The gross profit margin of property sales for the period was at its expected level of 23.3% (the corresponding period in 2020: 32.4%).

Recognized revenue from major projects during the half year ended 30 June 2021:

City	Name of project	Contracted	
		Area (sq.m.)	Amount (RMB Million)
Hefei	Lakeville/Royal Villa/Coli City	247,901	3,541.0
Nantong	Jade Park/Upper East	134,617	3,271.1
Yinchuan	International Community/Mansion Yue	390,104	2,660.1
Quanzhou	Glorious	178,105	2,042.3
Yancheng	Glory Mansion	185,790	1,993.0
Ganzhou	The Riverside/One Riverside Park	132,980	1,437.1
Xuzhou	Treasure Mansion	134,580	1,348.4
Huizhou	Riverview Mansion/Huizhou Tangquan	105,783	1,318.1
Xining	Glorioushire	173,776	1,167.9
Lanzhou	Platinum Pleas'd Mansion	93,748	1,138.1
Jilin	Overlooking River Mansion	151,749	1,080.5
Baotou	Glorioushire	165,961	1,041.2
Yangzhou	Glory Manor	64,249	647.3
Weinan	Royal Mansion	101,006	531.5

# Management Discussion and Analysis *(continued)*

## **SEGMENT INFORMATION** *(continued)*

### Property Sales and Development *(continued)*

The segment result included the fair value gain of RMB80.7 million (the corresponding period in 2020: RMB8.1 million) from the reclassification of properties was reported as abovementioned.

During the period, net loss of RMB0.3 million (the corresponding period in 2020: RMB16.5 million) was recorded from the property sales business of associates while net profit of RMB4.1 million (the corresponding period in 2020: RMB4.9 million) were posted by the property sales business of the joint ventures. During the period, the Group jointly develop additional two property projects in Huizhou (Guangdong province) and Zibo (Shandong province) with reliable business partners in the business model of associate.

The profit before income tax from this segment reached RMB5,047.1 million (the corresponding period in 2020: RMB4,404.1 million) for the period.

## Management Discussion and Analysis *(continued)*

### SEGMENT INFORMATION *(continued)*

#### Property Sales and Development *(continued)*

The following projects had commenced the construction work in the period:

City	Name of project	Commenced by
Yinchuan	COGO City	February
Taizhou	Jinmao Palace (previously named "Guangling District Project")*	March
Yancheng	Gorgeous Mansion	March
Zhenjiang	Danyang City Huanan Gaoxin District Project #1	March
Zhenjiang	Danyang City Huanan Gaoxin District Project #2	March
Changzhou	South Halcyon (previously named "Jintan District Project")	April
Ganzhou	One City South	April
Hefei	Central Park (previously named "Baohu District Project")	April
Hohhot	Zhonghai Shi Li Qing Chuan	April
Hohhot	Zhonghai He Shan Guan Lan	April
Huizhou	Megacity Times (previously named "Zhongkai District Project")	April
Jilin	La Cité	April
Tangshan	The Pogoda	April
Tianshui	The Platinum Pleasured Mansion	April
Weifang	Royal Villa	April
Weifang	The Riviera	April
Taizhou	Gorgeous Mansion*	April
Jiujiang	International Community	May
Linyi	Cozy Land (previously named "Luozhuang District Project")	May
Quanzhou	Elegance Mansion	May
Zhanjiang	We Love City (previously named "Xiashan District Project")*	May
Anqing	Yingjiang District Project	June
Hohhot	Zhonghai Zhen Ru Fu	June
Shantou	The Riviera North City	June
Shaoxing	Marina One	June

\* These projects are held by the joint ventures of the Group

# Management Discussion and Analysis *(continued)*

## SEGMENT INFORMATION *(continued)*

### Property Sales and Development *(continued)*

At 30 June 2021, the gross floor area of properties under construction and stock of completed properties of the Group and its associates and joint ventures amounted to 21,270,800 sq.m. and 1,199,400 sq.m. respectively, totaling 22,470,200 sq.m.. Properties with gross floor area of 9,666,900 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

### Property Leasing

In respect of the business of property leasing, apart from the properties reclassified from inventories of properties during the period, majority of the investment properties of the Group were leased out to China Overseas Land & Investment Limited ("COLI") entirely and therefore, the business of property leasing remained relatively stable during the period. For the period ended 30 June 2021, rental income amounted to RMB116.6 million (the corresponding period in 2020: RMB116.4 million).

The Group holds 65% of equity interests of the scientific research office building in Zhang Jiang High-tech Zone in Shanghai and it has been leased out to COLI as a whole. The contribution from the joint venture, which is holding the above scientific research office building, amounted to RMB2.3 million and stayed at similar level as the last corresponding period.

The segment results included the fair value gain of investment properties of RMB20.0 million (the corresponding period in 2020: nil) abovementioned. In total, the profit before income tax from this segment increased by RMB21.6 million to RMB106.7 million from RMB85.1 million of the same period last year.

# Management Discussion and Analysis *(continued)*

## FINANCIAL RESOURCES AND LIQUIDITY

The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. Currently, the Company and its subsidiaries have gained multiple accesses to funds from both investors and financial institutions in China and international market to meet its requirements for working capital, refinancing and project development. During the period, the Group explored a new financing channel and successfully completed the issuance of final payment of properties asset-backed securities of aggregate nominal value of RMB525.0 million.

As at 30 June 2021, net working capital amounted to RMB54,114.0 million (31 December 2020: RMB50,796.7 million), with a current ratio of 1.4 (31 December 2020: 1.5).

During the six months ended 30 June 2021, the Group secured new credit facilities of approximately RMB12,175.0 million in total, from the credit facilities from leading financial institutions and the asset-backed securities abovementioned. After taking into account drawdowns of RMB9,854.9 million, repayment of loans of RMB8,430.8 million and decrease of RMB150.8 million due to translation of Hong Kong Dollar (“HKD”) loan during the period, total bank and other borrowings (exclude the guaranteed notes payable of RMB3,342.2 million) increased by RMB1,273.3 million to RMB38,423.5 million as compared to the end of last year.

The total bank and other borrowings included RMB loans of RMB24,719.1 million and HKD loan of HK\$16,470.0 million (equivalent to RMB13,704.4 million). As at period end, interests of borrowings amounted to RMB3,283.9 million were charged at fixed rate from 3.9% to 6.6% while the remaining borrowings of RMB35,139.6 million were charged at floating rates with a weighted average of 3.7% per annum. About 64.9% of bank and other borrowings is repayable beyond one year.

In respect of guaranteed notes, the Group successfully completed the issuance of 5-year US\$512 million 2.45% guaranteed notes in February 2021 and the proceeds was used for redemption of US\$500 million 4.875% guaranteed note in June 2021. The total amortized cost payable of the guaranteed notes amounted to RMB3,342.2 million as at 30 June 2021.

# Management Discussion and Analysis *(continued)*

## FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

Also, properties sales and sales deposits collection for the period was satisfactory. Cash and bank balances plus restricted cash and deposits were at a total of RMB27,446.3 million (31 December 2020: RMB28,069.1 million), decreased by RMB622.8 million compared with the last financial year end. Of which, 96.9% is denominated in RMB while the remaining are in HKD and US Dollar.

Along with the continual growth of the business, the net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes, net of cash and bank balances and restricted cash and deposits) to total equity, is 48.0% as at 30 June 2021 (31 December 2020: 45.5%). The management closely monitors the financial position of Group to ensure healthy development of the operation scale and business.

Taking into consideration of the unutilized bank credit facilities available to the Group of RMB8,936.5 million, the Group's total available funds (including restricted cash and deposits of RMB10,723.6 million) reached RMB36,382.8 million as at 30 June 2021.

In view of continuous evolvement in the global pandemic situation, it is expected that central government would maintain the continuity, stability and sustainability of the macro policies, and continue the prudent monetary policies of reasonable and sufficient liquidity. Focusing on the liquidity risk management, the Group continues to implement centralized management policies in financing and cash management, maintains a good cash flow and minimizes its financial risks to ensure a healthy operation and financial position. The Group continues to fulfill the financial covenants as agreed with different financial institutions and maintains sufficient resources to satisfy its commitment and working capital needs.

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

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

# Management Discussion and Analysis *(continued)*

## FOREIGN EXCHANGE EXPOSURE

As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in RMB for its property development business in China, the management considered a natural hedge mechanism existed in those operations. As at 30 June 2021, about 59% and 41% (31 December 2020: 59% and 41%) of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and HKD/US Dollar respectively. Hence, taking into account of the debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

The exchange rate of RMB to HKD appreciated around 1.1% in the period and accordingly, the net asset value of the Group increased by RMB203.4 million which arose from currency translation.

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

## COMMITMENTS AND GUARANTEE

As at 30 June 2021, the Group had commitments totaling RMB31,093.9 million which related mainly to land premium, property development and construction works. In addition, as a usual commercial practice, the Group issued guarantees to banks totaling RMB36,585.2 million for facilitating end-user mortgages in connection with its property sales in China.



### CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling RMB29.3 million approximately during the current period, mainly referred to additions in right-of-use assets, land and buildings, motor vehicles and furniture, fixtures and office equipment. Besides, the use of a property was changed from development for sales to owner-occupied properties in the period, and thus, the Group has reclassified inventory of properties of carrying value of RMB9.2 million and RMB3.8 million to property, plant and equipment and right-of-use assets respectively.

On the other hand, as at 30 June 2021, certain property assets in China with aggregate carrying value of RMB10,751.6 million were pledged to obtain RMB2,713.8 million of secured borrowings from certain banks in China for the projects. Also, in respect of the asset-backed securities aforesaid, certain receivables from the properties sold were pledged by the Group.

### EMPLOYEES

As at 30 June 2021, the Group has 3,293 employees (31 December 2020: 2,974). The total staff costs incurred for the period was approximately RMB545.5 million (the corresponding period in 2020: RMB474.4 million). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance. Different trainings and development opportunities continued to be offered to enhance employees' capabilities.

# Condensed Consolidated Income Statement

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 and the comparative figures for the corresponding period in 2020 are as follows:

	Notes	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>Revenue</b>	4	<b>25,737,715</b>	16,109,339
Cost of sales and services provided		<b>(19,674,863)</b>	(10,844,524)
Gross profit		<b>6,062,852</b>	5,264,815
Other income	6	<b>198,175</b>	166,109
Distribution and selling expenses		<b>(705,465)</b>	(553,044)
Administrative expenses		<b>(537,984)</b>	(475,492)
Other operating expenses		<b>(7,130)</b>	(9,199)
Other gains			
Fair value gain on reclassification of inventories of properties to investment properties	12	<b>80,683</b>	8,123
Fair value gain on investment properties		<b>20,000</b>	–
<b>Operating profit</b>		<b>5,111,131</b>	4,401,312
Finance costs	7	<b>(22,350)</b>	(19,500)
Share of results of associates		<b>(340)</b>	(16,482)
Share of results of joint ventures		<b>6,407</b>	7,174
<b>Profit before income tax</b>	8	<b>5,094,848</b>	4,372,504
Income tax expense	9	<b>(2,103,492)</b>	(2,291,114)
<b>Profit for the period</b>		<b>2,991,356</b>	2,081,390
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>2,700,143</b>	2,034,792
Non-controlling interests		<b>291,213</b>	46,598
		<b>2,991,356</b>	2,081,390
		<b>RMB Cents</b>	RMB Cents
<b>Earnings per share</b>	11		
Basic		<b>78.9</b>	59.4
Diluted		<b>78.9</b>	59.4

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>Profit for the period</b>	<b>2,991,356</b>	2,081,390
<b>Other comprehensive income</b>		
<b><i>Items that may be reclassified subsequently to profit or loss</i></b>		
Exchange differences arising from translation into presentation currency	203,370	(272,694)
<b>Other comprehensive income for the period, net of tax</b>	<b>203,370</b>	(272,694)
<b>Total comprehensive income for the period</b>	<b>3,194,726</b>	1,808,696
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	2,903,513	1,762,098
Non-controlling interests	291,213	46,598
	<b>3,194,726</b>	1,808,696

# Condensed Consolidated Statement of Financial Position

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
<b>Assets and liabilities</b>			
<b>Non-current assets</b>			
Investment properties	12	3,948,235	3,355,235
Property, plant and equipment	13	863,637	869,409
Right-of-use assets		253,438	239,150
Interests in associates		11,966	19,056
Interests in joint ventures		827,445	701,038
Financial assets at fair value through other comprehensive income		1,000	1,000
Deferred tax assets		1,314,291	1,242,877
		<b>7,220,012</b>	<b>6,427,765</b>
<b>Current assets</b>			
Inventories of properties		121,054,067	107,721,167
Other inventories		13,076	16,429
Contract assets		129,582	94,732
Trade and other receivables, prepayments and deposits	14	20,463,409	19,451,556
Amounts due from associates		140,214	124,838
Amounts due from joint ventures		1,331,503	2,091,043
Amounts due from non-controlling interests		1,854,491	871,139
Tax prepaid		3,086,582	2,545,737
Restricted cash and deposits		10,723,628	7,525,826
Cash and bank balances		16,722,631	20,543,265
		<b>175,519,183</b>	<b>160,985,732</b>
<b>Current liabilities</b>			
Trade and other payables	15	19,156,134	15,699,347
Contract liabilities		78,981,389	70,336,424
Amounts due to associates		2,069	13,136
Amounts due to joint ventures		334,480	584,458
Amounts due to non-controlling interests		2,583,172	2,834,726
Amounts due to related companies		189,482	189,482
Lease liabilities		12,217	11,196
Guaranteed notes payable	17	–	3,314,214
Taxation liabilities		6,645,107	6,757,759
Borrowings	16	13,501,104	10,448,303
		<b>121,405,154</b>	<b>110,189,045</b>
<b>Net current assets</b>		<b>54,114,029</b>	<b>50,796,687</b>
<b>Total assets less current liabilities</b>		<b>61,334,041</b>	<b>57,224,452</b>

## Condensed Consolidated Statement of Financial Position *(continued)*

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
<b>Non-current liabilities</b>			
Borrowings	16	24,922,410	26,701,867
Lease liabilities		23,910	21,819
Guaranteed notes payable	17	3,342,242	–
Amount due to a related company		75,026	75,026
Deferred tax liabilities		3,157,267	3,189,358
		<b>31,520,855</b>	29,988,070
<b>Net assets</b>		<b>29,813,186</b>	27,236,382
<b>Capital and reserves</b>			
Share capital	18	5,579,100	5,579,100
Reserves		20,674,880	18,554,125
Equity attributable to owners of the Company		<b>26,253,980</b>	24,133,225
Non-controlling interests		<b>3,559,206</b>	3,103,157
<b>Total equity</b>		<b>29,813,186</b>	27,236,382

# Condensed Consolidated Statement of Changes in Equity

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

	Attributable to owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Translation reserve* RMB'000	Assets revaluation reserve* RMB'000	Statutory reserve* RMB'000	Retained profits* RMB'000	Total RMB'000		
<b>At 1 January 2021 (Unaudited)</b>	<b>5,579,100</b>	<b>173,427</b>	<b>30,075</b>	<b>1,552,837</b>	<b>16,797,786</b>	<b>24,133,225</b>	<b>3,103,157</b>	<b>27,236,382</b>
Profit for the period	-	-	-	-	2,700,143	2,700,143	291,213	2,991,356
Exchange differences arising from translation into presentation currency	-	203,370	-	-	-	203,370	-	203,370
<b>Total comprehensive income for the period</b>	-	<b>203,370</b>	-	-	<b>2,700,143</b>	<b>2,903,513</b>	<b>291,213</b>	<b>3,194,726</b>
Contributions from non-controlling interests	-	-	-	-	-	-	164,836	164,836
2020 final dividend approved (note 10)	-	-	-	-	(782,758)	(782,758)	-	(782,758)
Transactions with owners	-	-	-	-	(782,758)	(782,758)	164,836	(617,922)
At 30 June 2021 (Unaudited)	5,579,100	376,797	30,075	1,552,837	18,715,171	26,253,980	3,559,206	29,813,186

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

# Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>Net cash used in operating activities</b>		<b>(3,944,040)</b>	(2,766,639)
<b>Investing activities</b>			
Interest received		144,712	140,587
Purchase of property, plant and equipment	13	(17,895)	(6,162)
Purchase of right-of-use assets		(11,411)	–
Additions of investment properties		–	(207,362)
Dividend received from a joint venture		180,000	3,250
Capital injection in a joint venture		(300,000)	–
Capital injection in an associate		–	(7,000)
Proceeds from disposal of a subsidiary		290	–
Proceeds from disposal of an associate		6,750	–
Increase in amounts due from associates		(15,376)	(220,984)
Decrease in amounts due from joint ventures		759,540	479
Increase in amounts due from non-controlling interests		(983,352)	(132,226)
Decrease in amount due from a related company		–	171,543
<b>Net cash used in investing activities</b>		<b>(236,742)</b>	(257,875)
<b>Financing activities</b>			
New borrowings		9,854,901	12,109,673
Repayment of borrowings		(8,430,791)	(6,791,180)
Net proceeds from issuance of guaranteed notes	17	3,310,714	–
Redemption of guaranteed notes	17	(3,215,085)	–
Payment of principal elements of leases		(7,100)	(6,414)
Finance costs paid		(798,229)	(724,121)
Advances from non-controlling interests		463,811	713,239
Repayments to non-controlling interests		(715,365)	(2,090,373)
Repayments to associates		(11,067)	(3,333)
Advances from joint ventures		22	–
Repayments to joint ventures		(250,000)	(96,552)
Repayment to a related company		–	(300,000)
Contributions from non-controlling interests		164,836	508,500
<b>Net cash from financing activities</b>		<b>366,647</b>	3,319,439
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,814,135)</b>	294,925
<b>Cash and cash equivalents at the beginning of period</b>		<b>20,543,265</b>	16,755,435
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(6,499)</b>	39,659
<b>Cash and cash equivalents at the end of period</b>		<b>16,722,631</b>	17,090,019
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances as stated in the condensed consolidated statement of financial position		16,722,631	17,090,019

# Notes to the Condensed Financial Statements

## 1. GENERAL INFORMATION

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

The principal activities of the Group mainly comprise property investment and development, property leasing and investment holding. The Group’s business activities are principally carried out in certain regions in the PRC such as Changzhou, Hefei, Jinhua, Nantong, Shantou, Taizhou, Yangzhou and Yinchuan.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

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

The financial information relating to the year ended 31 December 2020 that is included in this half-year interim report 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.



# Notes to the Condensed Financial Statements *(continued)*

## 1. GENERAL INFORMATION *(continued)*

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

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 20 August 2021.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

### (a) Receipts under securitization arrangements

Receipts under securitization arrangements are measured initially at fair value, net of transaction costs incurred. Receipts under securitization arrangements are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period using the effective interest method.

### (b) Income tax

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

Save as described in above and note 3 "Adoption of Hong Kong Financial Reporting Standards ("HKFRS")", the accounting policies used in preparing the Interim Financial Statements are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

# Notes to the Condensed Financial Statements *(continued)*

## 3. ADOPTION OF HKFRS

### 3.1 Adoption of new or revised HKFRS — effective 1 January 2021

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

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

## Notes to the Condensed Financial Statements *(continued)*

### 3. ADOPTION OF HKFRS *(continued)*

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

The following new or revised standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current <sup>3</sup>
HK-Int 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Annual Improvements to HKFRS 2018–2020	Amendments to HKFRS 9 Financial Instruments and HKFRS 16 Leases <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> No mandatory effective date yet determined but available for adoption.

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

# Notes to the Condensed Financial Statements *(continued)*

## 4. REVENUE

The principal activities of the Group are disclosed in note 1. Revenue derived from the Group's principal activities comprises of the followings:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Sales of properties	25,613,680	15,980,943
Property rental income	116,563	116,367
Hotel and other services income	7,472	12,029
Total revenue	25,737,715	16,109,339

## 5. SEGMENT INFORMATION

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

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

## Notes to the Condensed Financial Statements *(continued)*

### 5. SEGMENT INFORMATION *(continued)*

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

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

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

## Notes to the Condensed Financial Statements *(continued)*

### 5. SEGMENT INFORMATION *(continued)*

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

	Property investment and development RMB'000	Property leasing RMB'000	Other segment RMB'000	Consolidated RMB'000
<b>Six months ended 30 June 2021 (Unaudited)</b>				
Revenue from contracts with customers				
disaggregated by timing of revenue recognition	25,613,680	-	7,472	25,621,152
— Goods transferred at a point in time	24,355,486	-	-	24,355,486
— Goods transferred over time	1,258,194	-	-	1,258,194
— Services transferred over time	-	-	7,472	7,472
Revenue from other sources:				
rental income	-	116,563	-	116,563
Reportable segment revenue	25,613,680	116,563	7,472	25,737,715
Reportable segment profit/(loss)	5,047,122	106,658	(19,516)	5,134,264
Corporate income				6,391
Finance costs				(22,350)
Other corporate expenses				(23,457)
Profit before income tax				5,094,848
<b>As at 30 June 2021 (Unaudited)</b>				
Reportable segment assets	172,532,909	4,136,431	627,224	177,296,564
Tax assets				4,400,873
Corporate assets <sup>†</sup>				1,041,758
Total consolidated assets				182,739,195
Reportable segment liabilities	100,149,086	124,960	528	100,274,574
Tax liabilities				9,802,374
Borrowings				38,423,514
Amounts due to related companies				264,508
Guaranteed notes payable				3,342,242
Other corporate liabilities				818,797
Total consolidated liabilities				152,926,009

# Notes to the Condensed Financial Statements *(continued)*

## 5. SEGMENT INFORMATION *(continued)*

	Property investment and development RMB'000	Property leasing RMB'000	Other segment RMB'000	Consolidated RMB'000
Six months ended 30 June 2020 (Unaudited)				
Revenue from contracts with customers disaggregated by timing of revenue recognition	15,980,943	–	12,029	15,992,972
— Goods transferred at a point in time	12,987,238	–	–	12,987,238
— Goods transferred over time	2,993,705	–	–	2,993,705
— Services transferred over time	–	–	12,029	12,029
Revenue from other sources:				
rental income	–	116,367	–	116,367
Reportable segment revenue	15,980,943	116,367	12,029	16,109,339
Reportable segment profit/(loss)	4,404,072	85,090	(45,202)	4,443,960
Corporate income				5,758
Finance costs				(19,500)
Other corporate expenses				(57,714)
Profit before income tax				4,372,504
As at 31 December 2020 (Audited)				
Reportable segment assets	158,720,700	3,550,957	647,765	162,919,422
Tax assets				3,788,614
Corporate assets <sup>^</sup>				705,461
Total consolidated assets				167,413,497
Reportable segment liabilities	89,279,244	130,520	1,151	89,410,915
Tax liabilities				9,947,117
Borrowings				37,150,170
Amounts due to related companies				264,508
Guaranteed notes payable				3,314,214
Other corporate liabilities				90,191
Total consolidated liabilities				140,177,115

<sup>^</sup> Corporate assets as at 30 June 2021 mainly included property, plant and equipment, right-of-use assets and cash and bank balances of RMB100,429,000 (31 December 2020: RMB105,282,000), RMB95,844,000 (31 December 2020: RMB99,538,000) and RMB844,109,000 (31 December 2020: RMB499,329,000) respectively which were managed on a group basis.

# Notes to the Condensed Financial Statements *(continued)*

## 6. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total interest income on financial assets measured at amortized cost:		
Bank deposits	144,701	140,600
Sundry income	53,474	25,509
	198,175	166,109

## 7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interests on borrowings, guaranteed notes payable and others (note)	818,806	724,211
Interests on amounts due to related companies	1,681	1,681
Total interest expense on financial liabilities measured at amortized cost	820,487	725,892
Less: Amount capitalized	(798,137)	(706,392)
	22,350	19,500

Note: For the six months ended 30 June 2021, the amounts included interests on amounts due to non-controlling interests and lease liabilities of RMB20,634,000 and RMB685,000 respectively. For the six months ended 30 June 2020, the amounts included interests on lease liabilities of RMB516,000.



## Notes to the Condensed Financial Statements *(continued)*

### 8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Profit before income tax is arrived at after charging:		
Depreciation:		
Property, plant and equipment	<b>31,904</b>	47,629
Right-of-use assets	<b>11,136</b>	10,511
Total depreciation	<b>43,040</b>	58,140
Staff costs	<b>545,547</b>	474,369
Net foreign exchange loss*	<b>3,906</b>	4,404

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

# Notes to the Condensed Financial Statements *(continued)*

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current tax for the period		
Other regions of the PRC		
— Enterprise income tax ("EIT")	1,251,539	1,082,783
— Land appreciation tax ("LAT")	988,919	1,135,654
	<b>2,240,458</b>	2,218,437
(Over)/Under provision in prior years		
Other regions of the PRC	(33,461)	1,573
Deferred tax	(103,505)	71,104
	<b>2,103,492</b>	2,291,114

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

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2020: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2020: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

## Notes to the Condensed Financial Statements *(continued)*

### 10. DIVIDENDS

The Board has declared that an interim dividend of HK\$0.08 (six months ended 30 June 2020: HK\$0.07) per share, amounting to HK\$273,869,000, equivalent to approximately RMB228,472,000 (six months ended 30 June 2020: HK\$239,635,000, equivalent to approximately RMB214,458,000), will be paid to the shareholders of the Company whose names appear in the Register of Members on 23 September 2021.

At the reporting date, a dividend of HK\$0.275 per share, amounting to HK\$941,424,000, equivalent to approximately RMB782,758,000 was recognized as distribution of the final dividend for the financial year ended 31 December 2020. At 30 June 2020, a dividend of HK\$0.195 per share, amounting to HK\$667,555,000, equivalent to approximately RMB607,697,000 was recognized as distribution of the final dividend for the financial year ended 31 December 2019.

### 11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	2,700,143	2,034,792

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	'000	'000
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares in issue during the period	3,423,360	3,423,360

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2021 and 2020 as there have been no dilutive potential ordinary shares in existence during both periods.

# Notes to the Condensed Financial Statements *(continued)*

## 12. INVESTMENT PROPERTIES

During the six months ended 30 June 2021, the Group reclassified inventories of properties with net carrying value of RMB492,317,000 to investment properties and recognized fair value gain of RMB80,683,000 in the profit or loss on the date of reclassification.

During the six months ended 30 June 2020, the Group reclassified inventories of properties, right-of-use assets and property, plant and equipment with net carrying value of RMB40,615,000, RMB124,651,000 and RMB222,688,000 respectively, to investment properties and recognized fair value gain of RMB8,123,000 in the profit or loss on the date of reclassification.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group incurred capital expenditure of approximately RMB9,224,000 (six months ended 30 June 2020: nil) in buildings, approximately RMB4,405,000 (six months ended 30 June 2020: RMB5,355,000) in furniture, fixtures and office equipment and approximately RMB4,266,000 (six months ended 30 June 2020: RMB807,000) in motor vehicles.

During the six months ended 30 June 2021, the Group reclassified inventories of properties with net carrying value of RMB9,202,000 to property, plant and equipment.

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

## Notes to the Condensed Financial Statements *(continued)*

### 14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Trade receivables	<b>41,021</b>	24,335
Less: Loss allowance for trade receivables	–	–
Trade receivables, net	<b>41,021</b>	24,335
Other receivables	<b>6,348,074</b>	2,889,519
Prepayments and deposits	<b>14,074,314</b>	16,537,702
	<b>20,463,409</b>	19,451,556

(a) Trade receivables

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

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
30 days or below	<b>10,239</b>	5,270
31–60 days	<b>25</b>	310
61–90 days	<b>356</b>	417
91–180 days	<b>12,832</b>	538
181–360 days	<b>105</b>	16,758
Over 360 days	<b>17,464</b>	1,042
	<b>41,021</b>	24,335

# Notes to the Condensed Financial Statements *(continued)*

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

### (a) Trade receivables *(continued)*

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

As at 30 June 2021, no material provision was made against the gross amount of trade receivables, other receivables and contract assets.

### (b) Prepayments and deposits

The balance of prepayments and deposits mainly comprise deposits amounting to RMB8,735,170,000 (31 December 2020: RMB11,684,082,000) in aggregate paid by the Group for the acquisition of lands in the PRC.

## 15. TRADE AND OTHER PAYABLES

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Trade payables	<b>15,427,300</b>	13,727,103
Other payables and accruals	<b>2,612,431</b>	1,783,047
Dividend payables	<b>783,345</b>	–
Deposits received	<b>333,058</b>	189,197
	<b>19,156,134</b>	15,699,347

## Notes to the Condensed Financial Statements *(continued)*

### 15. TRADE AND OTHER PAYABLES *(continued)*

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

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
30 days or below	<b>4,062,258</b>	3,524,340
31–60 days	<b>1,259,312</b>	1,156,814
61–90 days	<b>221,211</b>	554,139
91–180 days	<b>2,382,607</b>	2,679,008
181–360 days	<b>4,100,200</b>	1,607,619
Over 360 days	<b>3,401,712</b>	4,205,183
	<b>15,427,300</b>	13,727,103

### 16. BORROWINGS

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Current liabilities		
Bank borrowings	<b>11,741,104</b>	9,628,303
Other loans	<b>1,760,000</b>	820,000
	<b>13,501,104</b>	10,448,303
Non-current liabilities		
Bank borrowings	<b>24,762,410</b>	26,231,867
Other loans	<b>160,000</b>	470,000
	<b>24,922,410</b>	26,701,867
	<b>38,423,514</b>	37,150,170

# Notes to the Condensed Financial Statements *(continued)*

## 16. BORROWINGS *(continued)*

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Analysis into:		
Bank borrowings		
Secured (note 19)	<b>2,713,800</b>	5,502,900
Unsecured	<b>33,789,714</b>	30,357,270
	<b>36,503,514</b>	35,860,170
Other loans		
Secured (note)	<b>490,000</b>	–
Unsecured	<b>1,430,000</b>	1,290,000
	<b>1,920,000</b>	1,290,000
	<b>38,423,514</b>	37,150,170

Note: A PRC subsidiary of the Company entered into asset-backed securities (“ABS”) arrangement with an asset management company by pledging of certain receivables from properties sold. During the period ended 30 June 2021, the ABS was formally established with an aggregate nominal value of RMB525,000,000, amongst which RMB25,000,000 and RMB10,000,000 were subordinate securities and preferred securities purchased by the PRC subsidiary as original equity holder.



## Notes to the Condensed Financial Statements *(continued)*

### 16. BORROWINGS *(continued)*

Bank borrowings were scheduled for repayment as follows:

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
On demand or within one year	<b>11,741,104</b>	9,628,303
More than one year, but not exceeding two years	<b>12,165,103</b>	9,616,499
More than two years, but not exceeding five years	<b>12,597,307</b>	15,942,081
Over five years	–	673,287
	<b>36,503,514</b>	35,860,170

Other loans were scheduled for repayment as follows:

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
On demand or within one year	<b>1,760,000</b>	820,000
More than one year, but not exceeding two years	<b>160,000</b>	470,000
	<b>1,920,000</b>	1,290,000

As at 30 June 2021, borrowings amounting to RMB35,139,614,000 (31 December 2020: RMB34,007,270,000) have been arranged at annual floating rates from 1.39% to 5.23% (31 December 2020: 1.89% to 5.23%) while the remaining balance of RMB3,283,900,000 (31 December 2020: RMB3,142,900,000) have been arranged at annual fixed rates of 3.90% to 6.60% (31 December 2020: 3.80% to 5.23%).

# Notes to the Condensed Financial Statements *(continued)*

## 16. BORROWINGS *(continued)*

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

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
HK\$	<b>13,704,443</b>	13,187,931
RMB	<b>24,719,071</b>	23,962,239
	<b>38,423,514</b>	37,150,170

## 17. GUARANTEED NOTES PAYABLE

On 9 February 2021, China Overseas Grand Oceans Finance IV (Cayman) Limited, a wholly-owned subsidiary of the Company, issued US\$512,000,000 2.45% guaranteed notes (the "2021 Guaranteed Notes"), which mature on 9 February 2026 at their principal amount. The 2021 Guaranteed Notes were issued at 99.916% of the principal amount and are listed on the Stock Exchange. The effective interest rate of the 2021 Guaranteed Notes is 2.54% per annum. The 2021 Guaranteed Notes bear interest from 9 February 2021 to 9 February 2026 and are payable semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2021.

The 2021 Guaranteed Notes are unconditionally and irrevocably guaranteed by the Company. Further details regarding the issue of the 2021 Guaranteed Notes are set out in the announcement of the Company dated 9 February 2021 and the circular published on 10 February 2021.

The net proceeds from the issue of the 2021 Guaranteed Notes after deducting the direct transaction costs of RMB10,966,000 were RMB3,310,714,000.

## Notes to the Condensed Financial Statements *(continued)*

### 17. GUARANTEED NOTES PAYABLE *(continued)*

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Current liabilities		
Guaranteed notes payable	–	3,314,214
Non-current liabilities		
Guaranteed notes payable	<b>3,342,242</b>	–
	<b>3,342,242</b>	3,314,214

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

	<b>RMB'000</b>
Carrying amount as at 1 January 2020 (Audited)	3,521,449
Imputed interest expense (Audited)	176,141
Finance costs paid (Audited)	(169,962)
Translation adjustment (Audited)	(213,414)
Carrying amount as at 31 December 2020 (Audited) and 1 January 2021 (Unaudited)	<b>3,314,214</b>
Fair value on initial recognition of 2021 Guaranteed Notes (Unaudited)	<b>3,321,680</b>
Direct transaction costs of issuing 2021 Guaranteed Notes (Unaudited)	<b>(10,966)</b>
Imputed interest expense (Unaudited)	<b>102,058</b>
Finance costs paid (Unaudited)	<b>(79,800)</b>
Redemption of guaranteed notes (Unaudited)	<b>(3,215,085)</b>
Translation adjustment (Unaudited)	<b>(89,859)</b>
<b>Carrying amount as at 30 June 2021 (Unaudited)</b>	<b>3,342,242</b>

# Notes to the Condensed Financial Statements *(continued)*

## 18. SHARE CAPITAL

	Number of ordinary shares '000	Carrying amount RMB'000
Issued and fully paid — ordinary shares with no par		
Balance at 1 January 2020 (Audited), 31 December 2020 (Audited), 1 January 2021 (Unaudited) and 30 June 2021 (Unaudited)	3,423,360	5,579,100

## 19. PLEDGE OF ASSETS

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Pledge for borrowings and banking facilities of the Group		
— Inventories of properties	10,751,590	10,454,003

## Notes to the Condensed Financial Statements *(continued)*

### 20. COMMITMENTS

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

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Contracted for but not provided for in the financial statements:		
— Investment in equity interests	<b>1,112,393</b>	1,213,393
— Acquisition of land	<b>10,250,659</b>	5,091,421
— Property development	<b>18,956,870</b>	19,372,194
	<b>30,319,922</b>	25,677,008
Authorized but not contracted for:		
— Investment in equity interests	<b>150,000</b>	–
— Acquisition of land	<b>624,010</b>	444,010
	<b>774,010</b>	444,010

### 21. CONTINGENT LIABILITIES

#### (a) Guarantees

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

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Guarantees given to: Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	<b>36,585,213</b>	34,685,883

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

# Notes to the Condensed Financial Statements *(continued)*

## 21. CONTINGENT LIABILITIES *(continued)*

- (b) As disclosed in note 47(b) to the 2020 financial statements, the construction work of certain land parcels in Jiujiang owned by the Group's subsidiaries were behind the stipulated development timelines. As of the date of this report, the progress of the project development has not changed significantly since the end of last year.

The directors estimated that the maximum amount of penalty and liquidated damages as at 30 June 2021 would not be more than approximately RMB557 million (31 December 2020: RMB513 million), which was quantified based on the relevant regulations and terms included in the land transfer agreements. The carrying amount of the concerned land parcels is RMB2,039 million (31 December 2020: RMB2,039 million) as of 30 June 2021.

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

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

## 22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

- (a) During the six months ended 30 June 2020, the amount of dividend from a joint venture amounted to RMB204,000,000 was debited to the amounts due to joint ventures.
- (b) During the six months ended 30 June 2020, the entire amount of dividend attributable to non-controlling interests amounted to RMB184,000,000 was credited to the amounts due from non-controlling interests.

### 23. RELATED PARTY TRANSACTIONS

- (a) As disclosed in note 48(l) to the 2020 financial statement, 中海宏洋地產(合肥)有限公司, a wholly-owned subsidiary of the Company has agreed to purchase and 中海宏洋海富(合肥)房地產開發有限公司 (“Hefei Haifu”) agreed to sell 18 office units in total for an aggregate consideration of RMB19,539,000. Hefei Haifu is a joint venture of the Group which is owned as to 45% by the Group.

During the period ended 30 June 2021, the acquisitions of the office units were completed with entering into and registration of the sales and purchase agreement.

- (b) On 19 November 2020, the Company and China Overseas Land & Investment Limited (“COLI”) entered into a framework agreement (the “Supplies Framework Agreement”) whereby (i) the COLI and its subsidiaries (the “COLI Group”) may supply the materials in relation to the works in the categories of civil engineering works, electrical and mechanical works and decoration for the property development projects owned or developed/to be developed by the Group in the PRC upon the Group’s request in accordance with the standard and systematic tendering procedures of the Group; and (ii) the Group may engage the COLI Group as supplier of the materials for the projects upon the COLI Group’s successful tender.

The Supplies Framework Agreement has a term of three years commencing from 1 January 2021 and ending on 31 December 2023. The maximum total contract sum that may be awarded by the Group to the COLI Group for each of the financial years ending on 31 December 2021, 2022 and 2023 shall not exceed RMB1,600 million, RMB1,600 million and RMB1,600 million respectively. During the six months ended 30 June 2021, the relevant contract sum amounting to RMB669,809,000 was awarded. The Company is an associate of COLI.

Further details regarding the transaction are set out in the announcement of the Company dated 19 November 2020 and the circular published on 10 December 2020.

## Notes to the Condensed Financial Statements *(continued)*

### 23. RELATED PARTY TRANSACTIONS *(continued)*

- (c) On 24 March 2021, the Company and China State Construction Development Holdings Limited (“CSCD”) entered into a framework agreement (the “New COGO Framework Agreement”), pursuant to which the Group may engage CSCD and its subsidiaries (the “CSCD Group”) as service provider for the provision of project management, supervision and consultancy services in relation to the property development projects of the Group in PRC upon the CSCD Group’s successful tender.

The New COGO Framework Agreement has a term of three years commencing from 1 July 2021 and ending on 30 June 2024. The maximum total contract sum that may be awarded by the Group to the CSCD Group for the period from 1 July 2021 to 31 December 2021, for each of the two years ending 31 December 2023 and for the period from 1 January 2024 to 30 June 2024 shall not exceed HK\$30 million, HK\$60 million, HK\$60 million and HK\$30 million respectively. China Overseas Holdings Limited (“COHL”) is the controlling shareholder of both the Company and CSCD.

Further details regarding the transaction are set out in the announcement of the Company dated 24 March 2021.



## Notes to the Condensed Financial Statements *(continued)*

### 23. RELATED PARTY TRANSACTIONS *(continued)*

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Nature of transactions</b>		
<b>COLI and its subsidiaries</b>		
Royalty expenses	<b>166,820</b>	160,570
Rental income	<b>98,252</b>	44,409
Design service expenses	–	6,436
<b>CSCECL (note (i)) and its subsidiaries</b>		
Property construction costs	<b>475,083</b>	–
<b>COPH (note (ii)) and its subsidiaries</b>		
Property management fee expenses	<b>84,337</b>	48,795
Income from right-of-use of car parking spaces	<b>81,005</b>	–
<b>CSC (note (iii)) and its subsidiaries</b>		
Property construction costs	<b>1,098,327</b>	–
<b>CSCD and its subsidiaries</b>		
Construction supervision expenses	<b>19,419</b>	16,774
<b>PRC government departments/agencies</b>		
Land use rights acquisitions	<b>26,512,974</b>	18,594,824
<b>Key management (including directors)</b>		
Remuneration	<b>4,367</b>	6,088

# Notes to the Condensed Financial Statements *(continued)*

## 23. RELATED PARTY TRANSACTIONS *(continued)*

(d) *(continued)*

Notes:

- (i) China State Construction Engineering Corporation Limited (“CSCECL”) is an intermediate holding company of COLI.
- (ii) China Overseas Property Holdings Limited (“COPH”) is a fellow subsidiary of COLI.
- (iii) China State Construction International Holdings Limited (“CSC”) is a fellow subsidiary of COLI.

## 24. FAIR VALUE MEASUREMENT

(a) Financial instruments

The fair value of the financial assets at fair value through other comprehensive income as at 30 June 2021 are level 3 recurring fair value measurements and determined using the same approach as the last year end.

During the six months ended 30 June 2021, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

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

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

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

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2021 is a level 3 recurring fair value measurement and determined using the same approach as the last year end. During the six months ended 30 June 2021, there were no transfers among level 1, level 2 and level 3 in the fair value hierarchy.

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

After reviewing the working capital requirements for the Group's future expansion of its business, the board of directors of the Company (the "Board") declared an interim dividend of HK8 cents per share (2020: HK7 cents per share) for the six months ended 30 June 2021. The interim dividend will be payable in cash.

### Relevant Dates for Interim Dividend Payment

Ex-dividend date	20 September 2021
Latest time to lodge transfer documents for registration with the Company's share registrar	At 4:30 p.m. on 21 September 2021
Closure of Register of Members	23 September 2021
Record date	23 September 2021
Despatch of dividend warrants	20 October 2021

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 share registrar at Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than the aforementioned latest time.

## SHARE CAPITAL

The Company's total number of shares in issue as at 30 June 2021 was 3,423,359,841 ordinary shares.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code").

Having made specific enquiries to all directors of the Company, they confirmed that they have complied with the Code of Conduct throughout the six months ended 30 June 2021.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2021, the directors and chief executive of the Company, and their respective associates had the following interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

### Long Positions in Shares of the Company

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

Notes:

1. The percentage is based on the total number of shares of the Company in issue as at 30 June 2021 (i.e. 3,423,359,841 shares of the Company).
2. These shares of the Company are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.
3. These shares of the Company are held by Extra-Fund Investment Limited, a wholly-owned subsidiary of Shell Electric Holdings Limited, which in turn is owned as to 80.5214% by Red Dynasty Investments Limited, a company wholly-owned by Mr. Yung Kwok Kee, Billy.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**

*(continued)*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held by any directors or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein.

Saved as disclosed above, at no time during the six months ended 30 June 2021, none of the directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in, or had been granted any rights to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2021, the following persons (other than the directors or chief executive of the Company) had interests 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:

#### Long Positions in Shares of the Company

Name of substantial shareholders	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of shares in issue <sup>(Note 1)</sup>
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation <sup>(Note 2)</sup>	Interest in controlled corporation	1,311,965,566	1,311,965,566	38.32%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner <sup>(Note 3)</sup>	Beneficial	200,910,903	200,910,903	5.87%
On Fat Profits Corporation ("On Fat")	Beneficial owner <sup>(Note 3)</sup>	Beneficial	181,706,786	181,706,786	5.31%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts <sup>(Note 3)</sup>	Other	382,617,689	382,617,689	11.18%
Mitsubishi UFJ Financial Group, Inc. ("Mitsubishi Group")	Interest of controlled corporation <sup>(Note 4)</sup>	Interest in controlled corporation	174,009,500	174,009,500	5.08%

Notes:

- The percentage is based on the total number of shares of the Company in issue as at 30 June 2021 (i.e. 3,423,359,841 shares of the Company).
- CSCEC is interested in 1,311,965,566 shares of the Company, of which 1,262,211,316 shares are held by Star Amuse Limited ("Star Amuse") and 49,754,250 shares are held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of COLI which in turn is a non-wholly owned subsidiary of COHL. COHL is a subsidiary of China State Construction Engineering Corporation Limited which in turn is a non-wholly owned subsidiary of CSCEC.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES** (continued)

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

Notes:

3. 382,617,689 shares of the Company held by UBS TC (including 200,910,903 shares and 181,706,786 shares of the Company held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his family members as the beneficiaries. None of the directors of the Company are directors or employees of Diamond Key and On Fat.
4. Mitsubishi Group is interested in 174,009,500 shares of the Company, of which 5,307,000 shares are held by First Sentier Investors (Singapore) ("First Sentier Singapore") and 168,702,500 shares are held by First Sentier Investors (Hong Kong) Limited ("First Sentier Hong Kong"). First Sentier Singapore is a wholly-owned subsidiary of First Sentier Investors (Singapore) Holdings Limited which in turn is a wholly-owned subsidiary of FSIB Ltd ("FSIB"). First Sentier Hong Kong and FSIB are wholly-owned subsidiaries of First Sentier Investors Asia Holdings Ltd which in turn is a wholly-owned subsidiary of First Sentier Investors Holdings Pty Ltd ("First Sentier Holdings"). First Sentier Holdings is a wholly-owned subsidiary of Mitsubishi UFJ Trust and Banking Corporation which in turn is a wholly-owned subsidiary of Mitsubishi Group.

Save as disclosed above, the Company had not been notified by any other person (other than the directors or chief executive of the Company) who had interests or short positions 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 2021.

**CORPORATE GOVERNANCE**

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

Save as disclosed below, the Company has applied the corporate governance principles and complied with all the code provisions (where applicable, some of the recommended best practices) set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "CG Code") during the six months ended 30 June 2021.

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

### DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The facility agreements/letters, which have been entered into by the Company in the following terms and conditions and continue to subsist at 30 June 2021 are set out below:

- (1) Date: 10 March 2017  
Amount: Loan facility up to HK\$600 million, which can be increased to HK\$1 billion in accordance with the facility agreement  
Term: 60 months commencing from the date of the facility agreement
- (2) Date: 14 December 2017  
Amount: Loan facility up to HK\$1 billion  
Term: 60 months commencing from the date of the facility letter
- (3) Date: 31 December 2018  
Amount: Loan facility up to HK\$1 billion  
Term: 60 months commencing from the date of the first drawdown
- (4) Date: 30 December 2019  
Amount: Loan facility up to HK\$1 billion  
Term: 60 months commencing from the first utilization date
- (5) Date: 11 March 2020  
Amount: Loan facilities up to (a) HK\$935 million and (b) RMB500 million  
Term: (a) 60 months and (b) 36 months commencing from the date of the facility agreement respectively



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

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

Other than the above, on 18 June 2021, 汕頭市中海宏洋置業有限公司 (Shantou China Overseas Grand Oceans Property Limited\*, a wholly-owned subsidiary of the Company), entered into a financing programme (the "Financing Programme") as borrower, under which the funds of no more than RMB1.5 billion to be borrowed will be held by a licensed financial institution acting as trustee (the "Trustee"). The funds shall be repaid in full within 5 years, commencing from the date of each drawdown. Pursuant to the terms under the Financing Programme, if (i) COLI ceases to be the single largest shareholder of the Company individually or together with persons acting in concert with it; and (ii) less than two third of the executive directors and non-executive directors of the Company in total being nominated by COLI, the Trustee shall have the right to, among others, declare all or part of the outstanding amounts under the Financing Programme to become immediately due and payable.

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

**CHANGES IN DIRECTORS' INFORMATION**

Changes in directors' information since the date of the 2020 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:

- Dr. Chung Shui Ming, Timpson retired as an independent non-executive director of Glorious Sun Enterprises Limited, shares of which are listed on the Stock Exchange, with effect from 2 June 2021.
- Mr. Lam Kin Fung, Jeffrey has been appointed as an executive director of Hong Kong Aerospace Technology Group Limited, shares of which are listed on the Stock Exchange, with effect from 16 July 2021.

### **PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES**

Save as disclosed below, 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 2021 and up to the date of this report.

On 26 January 2021, 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Limited\* ("COGOP"), a wholly-owned subsidiary of the Company), issued RMB525,000,000 3.9 per cent. 2020 Phase I final payment of properties asset-backed securities due February 2022 (the "ABS"), which are guaranteed by the Company and listed on the Shenzhen Stock Exchange. RMB25,000,000 and RMB10,000,000 of the ABS were subordinate securities and preferred securities purchased by COGOP as original equity holder. The net proceeds, after deducting the expenses in connection with the issuance of the ABS, are used to repay the existing indebtedness and outstanding liabilities of the Group.

On 9 February 2021, the Company and China Overseas Grand Oceans Finance IV (Cayman) Limited ("COGO Cayman IV", a wholly-owned subsidiary of the Company) announced the issuance of US\$512,000,000 2.45 per cent. guaranteed notes due 2026 (the "2021 Guaranteed Notes"). The 2021 Guaranteed Notes are guaranteed by the Company irrevocably and unconditionally and listed on the Stock Exchange. The net proceeds, after deducting the fees and other expenses in connection with the issuance of the 2021 Guaranteed Notes, amounted to approximately US\$509.9 million, which are used to repay and/or refinance the existing indebtedness of the Group, and for general corporate purposes.

On 1 June 2021 (i.e. the maturity date of the guaranteed notes), COGO Cayman IV redeemed the US\$500,000,000 4.875 per cent. guaranteed notes in whole at par, which were issued on 1 June 2018 and listed on the Stock Exchange prior to redemption.

### **REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE**

The Audit Committee of the Board has reviewed the Company's unaudited interim results for the six months ended 30 June 2021, and discussed with the Company's management regarding auditing, internal control and other important matters.

\* English translation for identification purpose only.

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