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

*(incorporated in Hong Kong with limited liability)*
**(Stock Code: 00081)**

# ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

## FINANCIAL HIGHLIGHTS

1. For the six months ended 30 June 2018, contracted property sales of the Group and its associates and joint ventures amounted to HK$28,454.0 million, for an aggregated area of 2,263,500 sq.m., representing an increase of 54.0% and 30.4% respectively against the same period last year.

2. For the six months ended 30 June 2018, Group's revenue reached HK$11,188.5 million, increased by 23.9% against the corresponding period last year. Operating profit amounted to HK$2,275.9 million, an increase of 61.5% comparing with the same period last year. Profit attributable to the owners of the Company amounted to HK$1,014.2 million, an increase of 42.4% against last corresponding period. Basic earnings per share was HK31.5 cents (the corresponding period in 2017, restated: HK30.0 cents per share).

3. In the first half year, the Group entered into Liuzhou, Guangxi province and Baotou, Inner-Mongolia and purchased a total of nine parcels of land in Liuzhou, Yancheng, Baotou, Lanzhou, Nantong, Hefei and Ganzhou with total development area of 2,010,800 sq.m. (attributable to the Group: 1,729,400 sq.m.) for a total consideration of approximately RMB8,787.4 million. As at 30 June 2018, total land bank of the Group and its joint ventures available to build gross floor area is approximately 19,875,400 sq.m. in 20 cities in China, of which, 18,399,000 sq.m. are attributable to the Group (including the interests in joint ventures).

4. In February 2018, the Group successfully raised a net proceeds of HK$4,607.7 million (net of expenses) by way of rights issue on the basis of one rights share for every two shares.

5. Cash and bank balances plus restricted cash and deposits were at a total of HK$32,321.5 million. The net gearing ratio, expressed as a percentage of net debts to equity attributable to owners of the Company, was 0.3% as at 30 June 2018.

6. The Board declared the payment of an interim dividend of HK3 cents per share for the period ended 30 June 2018 (the corresponding period in 2017: HK1 cent per share).

The board of directors (the “Board”) of China Overseas Grand Oceans Group Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018. For the first half year ended 30 June 2018, contracted property sales of the Group and its associates and joint ventures was HK$28,454.0 million (the corresponding period in 2017: HK$18,473.0 million), increased by 54.0% against the same period last year, in which, HK$806.6 million (the corresponding period in 2017: HK$3,408.7 million) was contributed from associates and joint ventures. The Group attained a turnover of HK$11,188.5 million (the corresponding period in 2017: HK$9,029.2 million) for the period, representing an increase of 23.9% over the corresponding period last year. The Group’s unaudited consolidated profit attributable to owners of the Company for the period reached HK$1,014.2 million (the corresponding period in 2017: HK$712.1 million), 42.4% higher than the same period last year. Basic earnings per share was also up 4.8% comparing with the corresponding period last year, to HK31.5 cents (the corresponding period in 2017, restated: HK30.0 cents).

In the first half of the year, with supply-side structural reform delivering progress, China has maintained steady economic growth and high quality development. The property market also remained largely stable amid the continuous launch of cooling measures by the government in the cities and regions where the markets were overheat. On the other hand, as affected by the marco-economic environment such as trade frictions between China and the United States, volatility of exchange rate of Renminbi (“RMB”) and the tightened market liquidity, operating environment has been challenging.

Facing the extremely complex and dynamic environment, the Group actively enhanced its capital base and strengthened its financial position in the past six months. In February 2018, thanks to the overwhelming support of the shareholders, the Group raised a net proceeds of HK$4,607.7 million (net of expenses) by way of rights issue on the basis of one rights share for every two shares. In June 2018, the Group successfully completed the issuance of a 3-year US$500 million guaranteed notes. Through the exercises, the Group not only has secured its refinancing funding needs but also has improved its financial muscles to propel its business plan. The proceeds from the rights issue and the guaranteed notes issuance laid down a more solid foundation of the strategic framework of the Group.

**INTERIM DIVIDEND**

After reviewing the working capital requirements for the Group’s future expansion of its business, the Board declared an interim dividend of HK3 cents per share (the corresponding period in 2017: HK1 cent per share) which will be payable on or before 11 October 2018 to the members of the Company registered as at the close of business on 7 September 2018.

**REVENUE AND OPERATING RESULTS**

In the first half of the year, the property market of China remained steady. With the continual implementation of the accelerated pre-sales plan, the contracted property sales of the Group and its associates and joint ventures for the first half year reached HK$28,454.0 million, increased by 54.0% against the same period last year, in which, HK$806.6 million (the corresponding period in 2017: HK$3,408.7 million) was contributed from associates and joint ventures. The development progress and the handover schedule of the property of each project are on track. The Group's revenue for the six months ended 30 June 2018 reached HK$11,188.5 million, increased by 23.9% against the corresponding period last year. Furthermore, thanks to stable market environment and active property markets in certain cities in which the Group's projects are located, gross profit for the period was HK$2,768.2 million, 46.4% higher than the same period last year while gross profit margin for the period increased by 3.8% to 24.7%.

In terms of expenses, distribution and selling expenses for the period increased by HK$54.9 million against the same period last year to HK$343.4 million. Despite the significant increase in contracted property sales for the current period, the ratio of distribution and selling expenses to the Group's contracted property sales still be maintained at the low level of 1.2%. In addition, as the operating scale has been expanding gradually, administrative expenses for the period, increased by HK$55.6 million against the same period last year to HK$312.5 million. The ratio of the administrative expenses to revenue maintained at 2.8%, almost the same as the last corresponding period. The Group continued to exercise stringent controls over the overhead costs.

Same as the last corresponding period, no fair value adjustment was recognized in respect of the investment properties in the period. Sales of China Overseas Building located in Jilin, in form of sub-units, continued and the units were handover to the buyers gradually during the period. As such, the Group recognized a profit before taxation of HK$711,000 (the corresponding period in 2017: HK$214,000) from the disposal.

As the US Federal Reserve raised interest rates twice during the period, the Group's three-year term interest rate swap contract with notional amount of US$40.0 million (swap the interest rate from floating basis of 3-month London Interbank Offered Rate plus 1.515% to fixed rate at 3.2% per annum), recognized a fair value gain of a derivative financial instrument of HK$3.4 million (the corresponding period in 2017: a fair value loss of HK$492,000) in the income statement for the period.

Driven by a rise in gross profit, operating profit amounted to HK$2,275.9 million for the current period under review, an increase of 61.5% comparing with the same period last year.

Total interest expenses for the period increased by HK$26.2 million to HK$613.6 million from HK$587.4 million of last corresponding period, mainly driven by the rise in the overall borrowing rate and the issuance of a 3-year US$500 million guaranteed notes at coupon rate of 4.875% by the Group in June 2018. Finance costs slightly increased to HK$17.2 million from HK$15.5 million of last corresponding period, after capitalization of HK$596.4 million to the on-going development projects.

In the first half of the year, share of profit of joint ventures amounted to HK$111.8 million resulted from profit recognition of the projects held by the joint ventures during the period.

Income tax expenses comprised enterprise income tax and land appreciation tax. The income tax expenses increased by HK$620.4 million, as compared with the same period last year, mainly due to rise in profit margin as driven by the improvement in the average gross profit margin of the projects. Moreover, the effective tax rate of the period increased as the Group acquired the property portfolio from China Overseas Land & Investment Limited ("COLI") at fair value in December 2016 and the effective tax rate increased when profit recognized from the relevant projects.

For the half year ended 30 June 2018, profit attributable to owners of the Company amounted to HK$1,014.2 million (the corresponding period in 2017: HK$712.1 million), an increase of 42.4% against last corresponding period.

**LAND BANK**

With its prudent expansion strategy, the Group kept on closely monitoring the market situation and searched for suitable land pieces for development. In the first half year, the Group continued to extend its business to two new cities with high growth potential, which were Liuzhou, Guangxi province and Baotou, Inner-Mongolia. The Group bagged a total of nine parcels of land in the period in Liuzhou, Yancheng, Baotou, Lanzhou, Nantong, Hefei and Ganzhou with a total development area of 2,010,800 square meter (sq.m.) (attributable to the Group: 1,729,400 sq.m.) for a total consideration of approximately RMB8,787.4 million. As at 30 June 2018, total land bank of the Group and its joint ventures in China reached 19,875,400 sq.m., of which, 353,700 sq.m. is held by joint ventures. The land bank attributable to the Group (including the interests in joint ventures) is 18,399,000 sq.m.. The Group held a land bank distributed among 20 cities as at 30 June 2018.

The Group continues to monitor market opportunities of its existing cities and explore into new cities in China with growth potential and best investment value.

**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 2018, with stable market environment, contracted property sales of the Group and its associates and joint ventures amounted to HK$28,454.0 million, for an aggregated area of 2,263,500 sq.m., (in which, HK$806.6 million for an aggregated area of 39,800 sq.m. (the corresponding period in 2017: contracted property sales amounted HK$3,408.7 million for area of 195,400 sq.m.) was contributed from associates and joint ventures) representing an increase of 54.0% and 30.4% respectively against the same period last year. Besides, as at 30 June 2018, the balance of preliminary sales pending the completion of sales and purchase agreements was HK$607.0 million (30 June 2017:

HK$1,372.0 million) for an aggregated area of 38,800 sq.m. (30 June 2017: 103,200 sq.m.).

As at 30 June 2018, construction works for 972,600 sq.m. (saleable gross floor area: 809,000 sq.m.) of the Group were completed and of which, about 98% of saleable gross floor area were sold out. Coupled with stock sales, recognized revenue was HK$11,033.6 million (the corresponding period in 2017: HK$8,904.0 million), an increase of 23.9% comparing with the same period last year. Excluding the RMB currency translation effect, the recognized revenue increased by 14.0% compared with the last corresponding period. During the period, around 25% of the revenue was generated from the property portfolio acquired from COLI as mentioned above. Same as last year, the revenue for the current period was mainly recognized from the sales of high-rise residential projects.

Benefited from the favorable sentiment of property market, the average selling price of the properties handover during the period increased, which drove the surge of the gross profit margin of property sales from 20.3% of the last corresponding period to 24.2%. The gross profit margins of the properties acquired from COLI were also in line with the management's expectation.

Currently, the Group holds two projects under construction by joint ventures in Hefei and Shantou respectively. The project development progresses are satisfactory. Certain inventories of properties are also held by associates, which have been selling continuously. During the period, the net profit from the property sales business of the joint ventures and associates was HK$112.0 million (the corresponding period in 2017: net loss of HK$16.6 million).

The segment result reached HK$2,335.3 million (the corresponding period in 2017: HK$1,347.9 million) for the period.

At period end, properties under construction and stock of completed properties of the Group amounted to 6,679,600 sq.m. and 891,700 sq.m. respectively, totaling 7,571,300 sq.m.. Properties of 3,794,100 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

**PROPERTY LEASING**

The leasing business remained stable in general. For the period ended 30 June 2018, rental income amounted to HK$125.9 million (the corresponding period in 2017: HK$98.8 million), a rise of 27.4% comparing with the same period last year. Excluding the RMB currency translation effect, it was mainly driven by increase of average rental rate in the period. As described above, approximate 86% of the gross floor area of China Overseas Building located in Jilin was sold and handover cumulatively, in the form of sub-units. Profit contribution from a joint venture with the leasing business amounted to HK$2.9 million (the corresponding period in 2017: HK$2.2 million) for the period. In total, the segment profit increased by HK$11.9 million to HK$81.8 million from HK$69.9 million of the same period last year.

At period end, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were about 90% and 93% respectively. The Group fully owns the Beijing property while it owns 65% of the Shanghai project.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. Having worked hard over the past few years, 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. The Group actively enhanced its capital base and strengthened its financial position in the period under review. In February 2018, the Group successfully raised a net proceeds of HK$4,607.7 million (net of expenses) by way of rights issue on the basis of one rights share for every two shares. In June 2018, the Group successfully completed the issuance of a 3-year US$500 million guaranteed notes.

As at 30 June 2018, net working capital amounted to HK$44,486.7 million (31 December 2017: HK$35,204.0 million), with a quick ratio of 0.8 (31 December 2017: 0.6).

During the six months ended 30 June 2018, the Group secured new credit facilities of approximately HK$6,734.1 million from leading financial institutions. After taking into account drawdowns of HK$5,918.0 million, repayment of loans of HK$4,726.5 million and decrease of HK$151.6 million due to translation of RMB loan during the period, total bank and other borrowings (exclude the guaranteed notes payable of HK$7,124.7 million) increased by HK$1,039.9 million to HK$25,251.7 million as compared to the end of last year.

Of the total bank and other borrowings, RMB loan amounted to RMB9,696.6 million (equivalent to HK$11,501.1 million) while the Hong Kong Dollar loan and US Dollar loan amounted to HK$10,283.0 million and HK$3,467.6 million respectively. As at period end, interests of borrowings amounted to HK$2,215.9 million were charged at fixed rate from 3.42% to 3.80% while the remaining borrowings of HK$23,035.8 million were charged at floating rates with a weighted average of 4.43% per annum. About 86.6% of bank and other borrowings is repayable beyond one year.

During the year, trade frictions between China and the United States escalated, market liquidity tightened and the business environment remained complicated and volatile. The market expects that the interest rate of US Dollar will continue to rise and the financial market may experience violent fluctuations in the second half of the year, which will further tighten the liquidity and raise the borrowing cost. In order to ensure sufficient liquidity, the Group actively sought for financing opportunities. As mentioned above, in June 2018, the

Group completed the issuance of a US$500 million 4.875% guaranteed notes due in 2021. The proceeds from the issuance will mainly be used for the repayment of US$400 million 5.125% guaranteed notes due in next January. The total amortized cost payable of the guaranteed notes amounted to HK$7,124.7 million as at 30 June 2018.

Also, properties sales for the period increased significantly and sales deposits collection was satisfactory. Together with the proceeds raised during the period from the rights issues and guaranteed notes issuance, cash and bank balances plus restricted cash and deposits were at a total of HK$32,321.5 million (31 December 2017: HK$23,702.3 million), increased by 36.4% compared with the last financial year end. Of which, 83.5% is denominated in RMB while the remaining are in US Dollar (11.5%) and Hong Kong Dollar (5.0%).

As a result of the initial adoption of HKFRS 15 during the period, the opening balance of the owner's equity of the Company as at 1 January 2018 has an one-off adjustment of an increase of HK$448.9 million. In addition, the Group has undertaken a rights issue on the basis of one rights share for every two shares held, with a share price of HK$4.08 per share. The net proceeds successfully raised in February 2018 were HK$4,607.7 million (after deducting the expenses of approximately HK$48.1 million) which increased the interests of the owner of the Company accordingly.

With the increase in interests of the owners of the Company and cash in the period, the net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes payable aforesaid, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, was 0.3% as at 30 June 2018 (31 December 2017: 26.8%). The management believes that the Group can further expand its operation scale under such low net gearing ratio level and solid financial position.

Taking into consideration of the unutilized bank credit facilities available to the Group of HK$6,264.9 million, the Group’s total available funds (including restricted cash and deposits of HK$9,086.9 million) reached HK$38,586.4 million as at 30 June 2018.

In terms of capital management, the Group implements centralized financing and treasury policies to ensure efficient fund utilization. The operational and financial position of the Group remains healthy. The Group would ensure continual fulfillment of the financial covenants as agreed with different financial institutions and sufficient resources to satisfy its commitment and working capital needs. Regarding the proceeds raised from the above-mentioned rights issue, approximately HK$2.75 billion and HK$0.21 billion of the proceeds have been applied for repayments of bank loans and general working capital respectively as at 30 June 2018. Currently, the Group sticks to its plan on the use of the proceeds as disclosed in the prospectus issued in January 2018.

The Group regularly re-evaluates its operational and investment status, monitors the financial market and explores opportunities to enter into appropriate long-term financing to improve its capital structure continuously. The Group would maintain its healthy cash flow and minimize its financial risks.

**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 that operations. As at 30 June 2018, about 35.5% and 64.5% (31 December 2017: 32.6% and 67.4%) of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and Hong Kong Dollar/US Dollar respectively. Hence, take 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 Hong Kong Dollar depreciated around 0.9% in the period and accordingly, the net asset value of the Group decreased by HK$346.1 million which arose from currency translation.

Except for the aforesaid interest rate swap contract, the Group has not entered into any financial derivatives for hedging or speculative purpose during the period. The Group would continue to closely monitor the volatility of the RMB exchange rate. In consideration of the lower finance costs for borrowings in Hong Kong Dollar/ US Dollar, the management, after balancing the finance cost and risks, would continue to fine-tune the financing strategy gradually to optimize the ratio of RMB and Hong Kong Dollar/ US Dollar debt at appropriate time to minimize the foreign exchange risk.

**COMMITMENTS AND GUARANTEE**

As at 30 June 2018, the Group had commitments totaling HK$10,889.0 million which related mainly to land premium, property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$30,777.4 million (equivalent to RMB25,948.4 million) in aggregate, for facilitating end-user mortgages in connection with its property sales in China as a usual commercial practice and credit facilities granted to a joint venture.

**CAPITAL EXPENDITURE AND CHARGES ON ASSETS**

The Group had capital expenditures totaling HK$54.8 million approximately during the current period, mainly referred to additions in hotel construction in progress.

On the other hand, as at 30 June 2018, certain property assets in China with aggregate carrying value of HK$618.7 million were pledged to obtain HK$265.1 million (equivalent to RMB223.5 million) of secured borrowings from certain banks in China for the projects.

## EMPLOYEES

As at 30 June 2018, the Group has 2,029 employees (31 December 2017: 1,855). The total staff costs incurred for the period was approximately HK$313.1 million (the corresponding period in 2017: HK$270.7 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.

## PROSPECTS

### The Economy

At present, despite the pressure on China's exports and economic growth stemming from the Sino–United States trade dispute, China's economic growth is showing strong resilience and fulfilling its great potential, while the fundamental trend of domestic demand remains unchanged. It is anticipated that in the second half of the year, the mainland China economy will continue to grow moderately to very quickly, as the global economy maintains its strong recovery.

### Real Estate Development

In the first half of 2018, property controlling policies have been launched in major third-tier cities. With the adoption of different policies customized to different cities, the measures for some cities, which focused on both controls and de-stocking, were relatively moderate and the impacts on the markets were relatively mild. Due to the relatively less stringent policy environment, demands from local home buyers and needs for property upgrade in these markets released effectively. In addition, with the spillover of home buyers from first- and second-tier cities and the advancement of urbanization, the policy and price advantages of third-tier cities further enhanced their attractiveness to the residents of neighboring towns to move in and led to the increase in proportion of foreign residents.

During the year, the Ministry of Housing and Urban-Rural Development proposed to revise the shantytowns redevelopment policies. Of which, the shantytowns rebuilding projects would be undertaken according to the local market conditions that for cities with insufficient housing inventories and high pressure on rise in home price, targeted and timely adjustments would be made to the resettlement policies by offering houses as the compensation; for cities with high level of housing inventories, financial compensation for the rebuilding projects would continue to offer; and the scope and standards of shantytowns redevelopment projects would be further defined and mastered. It is expected that the relevant policies will impact the relationships of market supply and demand in the second half of the year. The benefits brought by the previous monetary compensation policy will gradually reduce but the extent of its impact remains to be seen.

On 31 July, the Central Government proposed to "resolve the problems of the real estate market; continue to apply city-specific policies; promote balanced supply and demand; manage expectations, regulate the property market and hold down prices". The Group expects to see tighter regulation and control of the real estate market in the second half of the year, likely depressing prices and sales and potentially stimulating market volatility. At the same time, the Central Government emphasized “stabilizing employment, finance, foreign trade, foreign investors, foreign investment and future tasks”. The Group believes that stabilizing the economy and moderating the vicissitudes of the real estate market are goals of macro-economic policy and real estate regulatory policy. The aim is to promote a long-term mechanism for housing with multiple sources of supply that delivers secure housing affordability through a variety of channels, encouraging both housing purchases and rentals. In this way, the real estate market in China will be guided to stable and healthy development, giving the Group great confidence in its medium- and long-term prospects.

Amid the continual progress of urbanization, the housing demands of immigrants from the nearby cities will continue to release while the local demands and needs for upgrade will be steady. The property market of third-tier cities will remain stable in general.

**Group Strategy**

The Group is committed to achieve sustainable, stable and healthy quality growth in the property market in China. The successful completion of the rights issue and the issuance of guaranteed notes significantly strengthened the financial position of the Group and enhanced its capability to expand the operating scale to capture more business and investment opportunities.

Fully embraced the government’s urbanization and long-term housing policy, the Group will continue to focus on the emerging cities with the best investment value and growth potentials, and stick to the position of offering middle to high-end product ranges of residential properties.

With the improved capital base and financial strength, the Group closely monitors the opportunities in property market and keep its pace for continuous expansion. To extend its footprint, the Group actively explores to penetrate into new cities with high growth potential. As a reputable property developer in the market, the Group believes that it is of paramount importance to build up and maintain a scaled high quality land bank at competitive prices for sustainable growth and maximizing shareholders’ returns in long term.

While dedicated to enlarge its operating scales, the Group stands firmly to its prudent, cautious and dynamic adjusted investment strategy in order to ensure the business development in an orderly manner. The Group will continue to seek for business opportunities with investment value and good returns at appropriate and sustainable capital and debt structure. On top of open market land auctions, the Group will further assess diversified land acquisition opportunities in order to maintain a balanced land bank with reasonable investment returns. For right property projects, the Group will consider to develop jointly with reliable business partners to broaden its earnings base and balance its risk.

Adhere firmly to the principle of customer-oriented, the Group dedicates to providing customers with good products and services. The Group will adopt various measures to continuously improve the quality of its products and services and enhance customer satisfaction and loyalty in order to accumulate loyal customers for sustainable development of the Group in the future.

The Group will continue to attach greater weight to research and development of products so as to seize opportunities in the consumption upgrade of the property industry. The Group will target the demand from customers for high-value or upgraded products and enhance value of the products with application of technologies of low-carbon, environmental protection and intelligence technologies to maintain the Group’s leading profitability. Balancing product standardization and innovations, the Group will introduce differentiated products to lead the market and satisfy the increasing demands of the customers.

On the foundation of the extensive experience in managing property development projects in emerging cities in China and the standardized operation systems, the Group continues to work hard to streamline its operating processes, reinforce its internal controls, tighten its cost controls and strengthen its risk management system. In addition, the Group has applied digital control platform and scientific decision making system to further excel project management process in response to the fast-changing business and regulatory requirements.

To cope with the increasing market competition, continual investment and extra efforts will be made by the Group to broaden the range of property products, optimize the project development cycle, enhance the quality of the properties and improve customer services. The Group is devoted to evolve new marketing methodologies and strategies, speed up sales programs and promote the sell-through rate of the inventory.

The Group will maintain a professional and prudent financial management of the financial resources and continue to enhance its financial management capability. In view of the volatile financial market, debt structure and profile will be reviewed regularly and optimized continuously. The Group will also closely monitor the impacts from the external political and economic environment, volatility of exchange rate of RMB, and national policy changes to the business operations.

The Group regards talent capital amongst the essences to success and continuous development of its business. The Group will enhance the care services for staff as well as the training and development of diversified talents, establish an open and inclusive system for recruitment and provide a diversified and customized career path for all level of staff members working in different areas. In addition, the Group will continue to optimize its competitive remuneration package for staff for continual building of a professional, dedicated and high-effective team.

## CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 and the comparative figures for the corresponding period in 2017 are as follows:

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | **HK$'000** | HK$'000 |
| **Revenue** | *4* | **11,188,533** | 9,029,187 |
| Cost of sales and services provided | | **(8,420,289)** | (7,138,608) |
| Gross profit | | **2,768,244** | 1,890,579 |
| Other income | | **165,482** | 67,008 |
| Distribution and selling expenses | | **(343,380)** | (288,433) |
| Administrative expenses | | **(312,452)** | (256,816) |
| Other operating expenses | | **(6,135)** | (2,690) |
| Other gains/(losses) | | | |
| Gain on disposal of investment properties | | **711** | 214 |
| Change in fair value of a derivative financial instrument | | **3,407** | (492) |
| **Operating profit** | | **2,275,877** | 1,409,370 |
| Finance costs | | **(17,180)** | (15,500) |
| Share of results of associates | | **3,050** | (1,198) |
| Share of results of joint ventures | | **111,811** | (13,163) |
| **Profit before income tax** | *6* | **2,373,558** | 1,379,509 |
| Income tax expense | *7* | **(1,293,324)** | (672,920) |
| **Profit for the period** | | **1,080,234** | 706,589 |
| **Profit/(Loss) for the period attributable to:** | | | |
| Owners of the Company | | **1,014,212** | 712,076 |
| Non-controlling interests | | **66,022** | (5,487) |
| | | **1,080,234** | 706,589 |
| | | **HK Cents** | HK Cents (Restated) |
| **Earnings per share** | *9* | | |
| Basic | | **31.5** | 30.0 |
| Diluted | | **31.5** | 30.0 |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| **Profit for the period** | **1,080,234** | 706,589 |
| **Other comprehensive income** | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | |
| Exchange differences arising from translation of overseas operations | | |
| - subsidiaries | **(342,412)** | 963,567 |
| - associates | **4,245** | 2,182 |
| - joint ventures | **(7,904)** | 12,294 |
| **Other comprehensive income for the period, net of tax** | **(346,071)** | 978,043 |
| **Total comprehensive income for the period** | **734,163** | 1,684,632 |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | **675,392** | 1,666,798 |
| Non-controlling interests | **58,771** | 17,834 |
| | **734,163** | 1,684,632 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 June 2018 (Unaudited) HK$'000 | 31 December 2017 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **2,783,538** | 2,835,203 |
| Property, plant and equipment | | **1,209,806** | 1,187,437 |
| Prepaid lease rental on land | | **317,853** | 325,367 |
| Intangible assets | | **5,748** | 8,117 |
| Interests in associates | | **18,765** | 135,907 |
| Interests in joint ventures | | **566,970** | 449,129 |
| Amount due from a joint venture | | **302,456** | 305,057 |
| Available-for-sale financial assets | | **1,186** | 1,196 |
| A derivative financial instrument | | **5,381** | 1,974 |
| Deferred tax assets | | **283,751** | 345,958 |
| | | **5,495,454** | 5,595,345 |
| **Current assets** | | | |
| Inventories of properties | | **56,982,720** | 54,414,394 |
| Other inventories | | **2,077** | 2,060 |
| Trade and other receivables, prepayments and deposits | *10* | **14,197,981** | 9,795,746 |
| Contract assets | *3* | **11,980** | - |
| Prepaid lease rental on land | | **9,480** | 9,562 |
| Amount due from an associate | | **68,700** | 68,094 |
| Amounts due from non-controlling interests | | **405,684** | 353,678 |
| Tax prepaid | | **1,791,406** | 1,382,614 |
| Restricted cash and deposits | | **9,086,890** | 7,553,007 |
| Cash and bank balances | | **23,234,579** | 16,149,246 |
| | | **105,791,497** | 89,728,401 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **9,730,267** | 9,639,438 |
| Contract liabilities | *3* | **38,004,123** | - |
| Sales deposits received | *3* | **-** | 30,820,778 |
| Amounts due to associates | | **49,026** | 176,876 |
| Amounts due to joint ventures | | **1,260,578** | 1,234,203 |
| Amounts due to non-controlling interests | | **2,773,605** | 613,424 |
| Amounts due to related companies | | **738,181** | 4,852,569 |
| Guaranteed notes payable | | **3,204,138** | - |
| Taxation liabilities | | **2,148,974** | 2,276,077 |
| Borrowings | | **3,395,916** | 4,911,049 |
| | | **61,304,808** | 54,524,414 |
| **Net current assets** | | **44,486,689** | 35,203,987 |
| **Total assets less current liabilities** | | **49,982,143** | 40,799,332 |
| **Non-current liabilities** | | | |
| Borrowings | | **21,855,831** | 19,300,789 |
| Amount due to a related company | | **88,989** | 89,754 |
| Guaranteed notes payable | *12* | **3,920,562** | 3,159,180 |
| Deferred tax liabilities | | **4,005,394** | 3,786,595 |
| | | **29,870,776** | 26,336,318 |
| **Net assets** | | **20,111,367** | 14,463,014 |
| **Capital and reserves** | | | |
| Share capital | *13* | **6,751,682** | 2,144,018 |
| Reserves | | **12,554,696** | 11,533,124 |
| Equity attributable to owners of the Company | | **19,306,378** | 13,677,142 |
| Non-controlling interests | | **804,989** | 785,872 |
| **Total equity** | | **20,111,367** | 14,463,014 |

## 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 of Hong Kong Limited (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 Ganzhou, Huizhou, Nanning, Nantong, Shantou, Weifang, Yancheng and Yangzhou.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 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 2017.

The Interim Financial Statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

The financial information relating to the year ended 31 December 2017 included in this preliminary announcement of interim results 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 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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 22 August 2018.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

**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 new or revised Hong Kong Financial Reporting Standards ("HKFRSs")", 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 2017, as described in those annual financial statements.

## 3. ADOPTION OF NEW OR REVISED HKFRSs

### 3.1 Adoption of new or revised HKFRSs – effective 1 January 2018

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |

**<u>HKFRS 9 Financial Instruments</u>**

The new impairment model under HKFRS 9 (2014) requires the recognition of provision for impairment losses based on expected credit losses rather than incurred credit losses. There was no material change in the amount of provision for impairment losses required under the expected credit loss model compared with the incurred credit loss model, and there was no financial impact on such change at 1 January 2018.

**<u>HKFRS 15 Revenue from Contracts with Customers</u>**

The Group adopted HKFRS 15 as issued by the HKICPA for the current period. The adoption of HKFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognized in the condensed consolidated financial statements. HKFRS 15 replaces the provisions of HKAS 18 *Revenue* and HKAS 11 *Construction contracts* that relate to the recognition, classification and measurement of revenue and costs.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognize the cumulative effects of initially applying HKFRS 15 as an adjustment to opening balance of retained profits as at 1 January 2018 without stating the comparative figures in prior year. The Group elected to adopt HKFRS 15 on the contracts on 1 January 2018.

The effects of the adoption of HKFRS 15 are as follows:

<u>Accounting for property development activities</u>

In prior reporting periods, the Group recognized revenue for property sales when significant risk and rewards of ownership had been transferred to the customers on delivery at a single time and not continuously as construction progresses.

Under HKFRS 15, the Group determines whether the properties have no alternative use to the Group due to contractual reasons and whether the Group has an enforceable right to payment from the customer for performance completed to date.

- When the properties that have no alternative use to the Group due to contractual reasons and the Group does not have an enforceable right to payment from the customer for performance completed to date, the Group recognizes revenue at a point in time when the performance obligations are satisfied and the ownership has been transferred to the customers.
- The timing of revenue recognition for sales of inventories of properties were previously based on when the significant risk and rewards of ownership has been transferred, while currently based on point of time that the legal or physical form are transferred to customers.
- When the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognizes revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

## 3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

### 3.1 Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

The excess of cumulative revenue recognized in profit or loss over the cumulative billings to purchasers of properties is recognized as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognized in profit or loss is recognized as contract liabilities.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a property sales contract, if expected to be recoverable, are capitalized and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Presentation of contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15: Contract liabilities for billing according to progress or delivery in relation to property development activities were previously presented as sales deposit received.

The impact on the Group's financial position by the application of HKFRS 15 is as follows:

| | As at 1 January 2018 | | | |
|---|---|---|---|---|
| | **As previously stated HK$'000** | **Reclassifications under HKFRS 15 HK$'000** | **Adjustments under HKFRS 15 HK$'000** | **Restated HK$'000** |
| **Consolidated statement of financial position (extract)** | | | | |
| Interests in joint ventures | 449,129 | - | 13,934 | 463,063 |
| Deferred tax assets | 345,958 | - | (12,823) | 333,135 |
| Inventories of properties | 54,414,394 | - | (1,552,270) | 52,862,124 |
| Contract assets | - | - | 7,134 | 7,134 |
| Trade and other payables | 9,639,438 | - | 213,797 | 9,853,235 |
| Sales deposits received | 30,820,778 | (30,820,778) | - | - |
| Contract liabilities | - | 30,820,778 | (2,641,114) | 28,179,664 |
| Deferred tax liabilities | 3,786,595 | - | 416,935 | 4,203,530 |
| Translation reserve | (373,279) | - | 16,177 | (357,102) |
| Retained profits | 10,744,153 | - | 432,704 | 11,176,857 |
| Non-controlling interests | 785,872 | - | 17,476 | 803,348 |

## 3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

| | |
|---|---|
| HKFRS 16 | Leases* |

* Effective for annual periods beginning on or after 1 January 2019

**<u>HKFRS 16 Leases</u>**

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$63,849,000. The directors have a performed a preliminary assessment and consider that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will need to perform further analysis to determine the amounts of new right-of-use asset and lease liabilities to be recognized, after taking into account the applicable practical expedients and relief. The Group will recognize a right-of-use asset and a corresponding lease liability in respect of the leases except for those qualify for low value or short-term leases upon the application of HKFRS 16. According to existing information, the directors do not expect that the new standard to have a material impact on the results and the financial position of the Group.

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

## 4. REVENUE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Sales of properties | **11,033,601** | 8,904,036 |
| Property rental income | **125,867** | 98,789 |
| Hotel and other services income | **29,065** | 26,362 |
| Total revenue | **11,188,533** | 9,029,187 |

## 5. SEGMENT INFORMATION

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

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

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, finance costs and change in fair value of a derivative financial instrument from the Group's profit/loss 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.

## 5. SEGMENT INFORMATION (CONTINUED)

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

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

| | **Property investment and development HK$'000** | **Property leasing HK$'000** | **Other segment HK$'000** | **Consolidated HK$'000** |
|---|---|---|---|---|
| ***Six months ended 30 June 2018 (Unaudited)*** | | | | |
| Revenue from contracts with customers | **11,033,601** | **-** | **29,065** | **11,062,666** |
| Recognized at a point in time | **9,033,310** | **-** | **-** | **9,033,310** |
| Recognized over time | **2,000,291** | **-** | **29,065** | **2,029,356** |
| Revenue from other sources: rental income | **-** | **125,867** | **-** | **125,867** |
| Reportable segment revenue | **11,033,601** | **125,867** | **29,065** | **11,188,533** |
| Reportable segment profit/(loss) | **2,335,282** | **81,750** | **(10,726)** | **2,406,306** |
| Corporate income | | | | **8,644** |
| Change in fair value of a derivative financial instrument | | | | **3,407** |
| Finance costs | | | | **(17,180)** |
| Other corporate expenses | | | | **(27,619)** |
| Profit before income tax | | | | **2,373,558** |
| ***As at 30 June 2018 (Unaudited)*** | | | | |
| Reportable segment assets | **99,315,697** | **3,044,441** | **1,220,128** | **103,580,266** |
| Tax assets | | | | **2,075,157** |
| Corporate assets ^ | | | | **5,631,528** |
| Total consolidated assets | | | | **111,286,951** |
| ***As at 30 June 2018 (Unaudited)*** | | | | |
| Reportable segment liabilities | **51,568,133** | **94,373** | **14,429** | **51,676,935** |
| Tax liabilities | | | | **6,154,368** |
| Borrowings | | | | **25,251,747** |
| Amounts due to related companies | | | | **827,170** |
| Guaranteed notes payable | | | | **7,124,700** |
| Other corporate liabilities | | | | **140,664** |
| Total consolidated liabilities | | | | **91,175,584** |

## 5. SEGMENT INFORMATION (CONTINUED)

| | Property investment and development HK$'000 | Property leasing HK$'000 | Other segment HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| *Six months ended 30 June 2017 (Unaudited)* | | | | |
| Reportable segment revenue | 8,904,036 | 98,789 | 26,362 | 9,029,187 |
| Reportable segment profit/(loss) | 1,347,915 | 69,943 | (2,324) | 1,415,534 |
| Corporate income | | | | 436 |
| Change in fair value of a derivative financial instrument | | | | (492) |
| Finance costs | | | | (15,500) |
| Other corporate expenses | | | | (20,469) |
| Profit before income tax | | | | 1,379,509 |
| *As at 31 December 2017 (Audited)* | | | | |
| Reportable segment assets | 88,483,940 | 3,182,074 | 1,191,963 | 92,857,977 |
| Tax assets | | | | 1,728,572 |
| Corporate assets ^ | | | | 737,197 |
| Total consolidated assets | | | | 95,323,746 |
| *As at 31 December 2017 (Audited)* | | | | |
| Reportable segment liabilities | 42,310,717 | 95,875 | 15,354 | 42,421,946 |
| Tax liabilities | | | | 6,062,672 |
| Borrowings | | | | 24,211,838 |
| Amounts due to related companies | | | | 4,942,323 |
| Guaranteed notes payable | | | | 3,159,180 |
| Other corporate liabilities | | | | 62,773 |
| Total consolidated liabilities | | | | 80,860,732 |

^ Corporate assets as at 30 June 2018 mainly included cash and bank balances amounting to HK$5,345,021,000 which were managed on group basis. Corporate assets as at 31 December 2017 mainly included property, plant and equipment, prepaid lease rental on land, trade and other receivables, prepayments and deposits and cash and bank balances of HK$155,155,000, HK$123,022,000, HK$395,525,000 and HK$61,518,000 respectively which were managed on group basis.

## 6. PROFIT BEFORE INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Profit before income tax is arrived at after charging: | | |
| Amortization: | | |
| Prepaid lease rental on land | **4,914** | 4,395 |
| Intangible assets # | **2,384** | 2,194 |
| Depreciation of property, plant and equipment | **21,099** | 14,303 |
| Total amortization and depreciation | **28,397** | 20,892 |
| Loss on disposal of property, plant and equipment | **-** | 35 |
| Staff costs | **313,057** | 270,740 |

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

## 7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Current tax for the period | | |
| Other regions of the PRC | | |
| - Enterprise income tax ("EIT") | **591,634** | 539,397 |
| - Land appreciation tax ("LAT") | **821,868** | 282,641 |
| | **1,413,502** | 822,038 |
| Deferred tax | **(120,178)** | (149,118) |
| | **1,293,324** | 672,920 |

For the six months ended 30 June 2018, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profits in Hong Kong for the period (six months ended 30 June 2017: nil).

EIT arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2017: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2017: 30% to 50%) 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.

## 8. DIVIDENDS

The Board has declared that an interim dividend of HK$0.03 (six months ended 30 June 2017: HK$0.01) per share, amounting to HK$102,701,000 (six months ended 30 June 2017: HK$22,822,000), will be paid to the shareholders of the Company whose names appear in the Register of Members on 7 September 2018.

At the reporting date, a dividend of HK$0.03 per share, amounting to HK$102,701,000 was recognized as a liability as the final dividend for the financial year ended 31 December 2017. At 30 June 2017, a dividend of HK$0.02 per share, amounting to HK$45,645,000 was recognized as a liability as the final dividend for the financial year ended 31 December 2016.

## 9. EARNINGS PER SHARE

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

**Earnings**

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Earnings used in calculating basic and diluted earnings per share | **1,014,212** | 712,076 |

**Weighted average number of ordinary shares**

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | **'000** | '000 |
| | | (Restated) |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | **3,219,675** | 2,370,018 |

Weighted average number of ordinary shares used in calculating basic and diluted earnings per share has been adjusted for the Rights Issue (note 13) completed on 5 February 2018.

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2018 and 2017 as there were no dilutive potential ordinary shares in existence during both periods.

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

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

| | **30 June 2018 (Unaudited) HK$'000** | 31 December 2017 (Audited) HK$'000 |
|---|---|---|
| 30 days or below | **4,278** | 1,116 |
| 31–60 days | **3,113** | 503 |
| 61–90 days | **544** | 508 |
| 91–180 days | **902** | 464 |
| 181–360 days | **994** | 17 |
| Over 360 days | **11,367** | 35,583 |
| | **21,198** | 38,191 |

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.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 for all trade receivables, other receivables and contract assets. As at 30 June 2018, no material provision was made against the gross amount of trade receivables, other receivables and contract assets.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

## 11. TRADE AND OTHER PAYABLES

The ageing analysis of the Group's trade payables based on invoice date is as follows:

| | **30 June 2018 (Unaudited) HK$'000** | 31 December 2017 (Audited) HK$'000 |
|---|---|---|
| 30 days or below | **3,835,095** | 3,145,217 |
| 31–60 days | **337,491** | 230,550 |
| 61–90 days | **66,033** | 121,284 |
| 91–180 days | **588,310** | 719,689 |
| 181–360 days | **1,318,758** | 1,443,695 |
| Over 360 days | **2,137,986** | 2,776,134 |
| | **8,283,673** | 8,436,569 |

## 12. GUARANTEED NOTES PAYABLE

On 1 June 2018, China Overseas Grand Oceans Finance IV (Cayman) Limited, a wholly-owned subsidiary of the Company, issued US$500,000,000 (equivalent to approximately HK$3,925,000,000) of 4.875% fixed rate guaranteed notes (the "Notes"), which mature on 1 June 2021 at their principal amount. The issue price for the Notes is 99.917%. The effective interest rate of the Notes is 5.063% per annum. The Notes bear interest from 1 June 2018 to 1 June 2021 and are payable semi-annually in arrears on 1 June and 1 December of each year, commencing on 1 December 2018.

The Notes are unconditionally and irrevocably guaranteed by the Company. In the event of the occurrence of certain conditions set out and defined in the subscription agreement which include, inter alia, the acquisition of not less than 38.32% voting rights of the Company by third party, each noteholder will have the right to require the issuer to redeem all, or some, of such notes at their principal amount together with accrued interest.

The net proceeds from the issuance of the Notes at 99.917% of the principal amount after the direct transaction costs of HK$17,027,000 is HK$3,904,715,000.

## 13. SHARE CAPITAL

| | **Number of ordinary shares '000** | **HK$'000** |
|---|---|---|
| **Issued and fully paid** | | |
| Balance at 1 January 2017 *(Audited)*, 31 December 2017 *(Audited)* and 1 January 2018 *(Unaudited)* | 2,282,240 | 2,144,018 |
| Rights issue (Note) | **1,141,120** | **4,607,664** |
| **Balance at 30 June 2018 *(Unaudited)*** | **3,423,360** | **6,751,682** |

Note:

On 7 November 2017, the board of directors announced that the Company proposed to raise gross proceeds of approximately HK$4,655.8 million by way of rights issue of approximately 1,141,120,000 rights shares on the basis of one rights share for every two existing shares of the Company at a subscription price of HK$4.08 per rights share (the "Rights Issue"). The Rights Issue was completed on 5 February 2018 and net proceeds of approximately HK$4,607,664,000 were raised by the Company. The number of issued ordinary shares of the Company was increased to approximately 3,423,360,000 shares and the share capital of the Company was increased from HK$2,144,018,000 to HK$6,751,682,000.

## 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 declared an interim dividend of HK3 cents per share (2017: HK1 cent per share) for the six months ended 30 June 2018. The interim dividend will be payable in cash.

### Relevant Dates for Interim Dividend Payment

| | |
|---|---|
| Ex-dividend date | 5 September 2018 |
| Closure of Register of Members | 7 September 2018 |
| Record date | 7 September 2018 |
| Despatch of dividend warrants | 11 October 2018 |

In order to qualify for the interim dividend, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 6 September 2018.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in securities of the Company by the directors of the Company (the "Directors"). Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

## CORPORATE GOVERNANCE

The Company always strives to raise the standard of its 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 maximise the value of our shareholders as a whole.

Except for the deviation from code A.4.1, the Company has applied the corporate governance principles and complied with all the code provisions (where applicable, most of the recommended best practices) set out in Appendix 14 to the Listing Rules ("CG Codes") for the six months ended 30 June 2018.

CG Code A.4.1 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.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period ended 30 June 2018.

## SHARES ISSUED

On 7 November 2017, the Board announced that the Company proposed to raise gross proceeds of approximately HK$4,655.8 million by way of rights issue of 1,141,119,947 rights shares (the "Rights Shares") on the basis of one rights share for every two shares held on 11 January 2018 at the subscription price of HK$4.08 per Rights Share (the "Rights Issue'). With approval of the shareholders at the extraordinary general meeting of the Company held on 29 December 2017, the Company issued the Rights Shares on 5 February 2018. For details of the Rights Issue, please refer to the prospectus and announcement of the Company dated 12 January 2018 and 2 February 2018 respectively.

## 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 2018, and discussed with the Company's management regarding auditing, internal control and other important matters.

## APPRECIATION

Taking this opportunity, I would like to thank my fellow directors, our staff, our shareholders and business partners for their generous supports.

By Order of the Board
**China Overseas Grand Oceans Group Limited**
**Yan Jianguo**
*Chairman and Non-Executive Director*

Hong Kong, 22 August 2018

*As at the date of this announcement, the board of directors of the Company comprises eight Directors, of which three are executive Directors, namely, Mr. Zhang Guiqing, Mr. Paul Wang Man Kwan and Mr. Yang Lin; two non-executive Directors, namely Mr. Yan Jianguo and Mr. Billy Yung Kwok Kee, and three independent non-executive Directors, namely Dr. Timpson Chung Shui Ming, Mr. Jeffrey Lam Kin Fung and Mr. Dantes Lo Yiu Ching.*

*This interim results announcement is published on the Company's website (http://www.cogogl.com.hk), the website of the Stock Exchange (http://www.hkexnews.hk) and the website of EQS TodayIR Limited (http://www.todayir.com/en/showcases.php?code=81). The Interim Report will also be available at the aforementioned websites before mid of September 2018 and will be despatched to shareholders of the Company thereafter.*