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

(incorporated in Hong Kong with limited liability)
(Stock code: 688)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

1. The contracted property sales increased by 29.8% to HK$301.24 billion and the corresponding sales area was 15.93 million sq m, an increase of 10.2%.

2. Revenue increased to HK$171.46 billion.

3. Operating profit increased by 12.5% to HK$70.73 billion. Gross profit margin of property development projects remained at industry-leading level.

4. Profit attributable to equity shareholders of the Company increased by 10.1% to HK$44.90 billion. The core net profit increased to HK$37.09 billion, an increase of 8.3%.

5. Basic earnings per share increased by 10.1% to HK$4.10.

6. The Group acquired 63 land parcels in 28 cities in mainland China and Hong Kong, adding a total GFA of 17.64 million sq m to the land reserve. At 31 December 2018, total land bank of the Group Series of Companies was 91.44 million sq m.

7. At 31 December 2018, the Group had bank and other borrowings and notes payable amounted to HK$115.13 billion and HK$80.82 billion respectively; bank balances and cash amounted to HK$100.56 billion; the net gearing of the Group was at industry-low level of 33.7%.

8. The shareholders' funds of the Company increased from HK$265.69 billion at end of 2017 to HK$283.48 billion at end of 2018, an increase of 6.7%. The net assets per share was HK$25.87. The average return on shareholders' funds was 16.4%.

9. The Board proposed a final dividend of HK50 cents per share. Together with the interim dividend of HK40 cents per share, total cash dividends for the year were HK90 cents per share (2017: HK80 cents per share), an increase of 12.5% compared with the previous year.

Striving With Determination for 40 Years
Forging Ahead Confidently on the New Journey

The board of directors (the "**Board**") of China Overseas Land & Investment Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018. The consolidated profit after tax attributable to equity shareholders of the Company for the year ended 31 December 2018 amounted to HK$44.90 billion, representing an increase of 10.1% as compared to 2017; basic earnings per share was HK$4.10; shareholders' funds increased by 6.7% to HK$283.48 billion; net assets per share was HK$25.87; and average return on shareholders' funds was 16.4%. The Board proposed a final dividend of HK50 cents per share.

CONSOLIDATED INCOME STATEMENT

The audited consolidated results of the Group for the year ended 31 December 2018 and the comparative figures in 2017 are as follows:

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*3*	**171,461,059**	166,044,963
Business tax		**(1,802,162)**	(2,072,793)
Net revenue	*3*	**169,658,897**	163,972,170
Direct operating costs, excluding business tax above		**(104,855,413)**	(109,272,364)
		64,803,484	54,699,806
Other income and gains, net	*4*	**1,081,055**	5,353,577
Gain arising from changes in fair value of investment properties		**10,412,570**	5,946,121
Gain on disposal of investment properties		**23,265**	40,782
Gain on disposal of subsidiaries		**-**	165,865
Gain arising from fair value remeasurement of the Group's previously held equity interest in a joint venture immediately prior to acquisition		**-**	2,140,171
Gain on acquisition of subsidiaries		**-**	326,267
Selling and distribution costs		**(2,621,750)**	(2,949,521)
Administrative expenses		**(2,966,589)**	(2,848,693)
Operating profit		**70,732,035**	62,874,375
Share of profits of			
Associates		**2,207,624**	1,164,116
Joint ventures		**1,214,358**	774,352
Finance costs	*5*	**(1,585,609)**	(1,393,544)
Profit before tax		**72,568,408**	63,419,299
Income tax expenses	*6*	**(25,866,438)**	(21,277,184)
Profit for the year		**46,701,970**	42,142,115
Attributable to:			
Owners of the Company		**44,900,303**	40,766,835
Non-controlling interests		**1,801,667**	1,375,280
		46,701,970	42,142,115
		HK$	*HK$*
EARNINGS PER SHARE	*7*		
Basic and diluted		**4.10**	3.72
		HK$'000	*HK$'000*
DIVIDENDS	*8*		
Interim dividend paid		**4,382,481**	3,834,671
Final dividend proposed		**5,478,100**	4,930,291
		9,860,581	8,764,962

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 *HK$'000*	2017 *HK$'000*
Profit for the year	**46,701,970**	42,142,115
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of the Company and its subsidiaries	**(12,407,154)**	9,892,806
Exchange differences on translation of associates and joint ventures	**(882,283)**	967,762
Changes in fair value of investments in syndicated property project companies	**(17,755)**	-
	(13,307,192)	10,860,568
Item that may be reclassified to profit or loss		
Exchange differences on translation of associates	**(571,435)**	780,201
Other comprehensive income for the year	**(13,878,627)**	11,640,769
Total comprehensive income for the year	**32,823,343**	53,782,884
Total comprehensive income attributable to:		
Owners of the Company	**31,670,385**	51,875,215
Non-controlling interests	**1,152,958**	1,907,669
	32,823,343	53,782,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 HK$'000	2017 HK$'000
Non-current Assets			
Investment properties		**111,574,402**	97,377,389
Property, plant and equipment		**3,666,270**	3,897,596
Prepaid lease payments for land		**531,615**	575,810
Interests in associates		**13,049,023**	8,232,345
Interests in joint ventures		**13,633,847**	12,405,070
Investments in syndicated property project companies		**-**	24,212
Available-for-sale investments		**-**	115,842
Amounts due from associates		**4,930,272**	8,969,792
Amounts due from joint ventures		**4,581,650**	6,592,674
Other receivables		**388,066**	456,540
Goodwill		**64,525**	64,525
Deferred tax assets		**5,888,836**	4,902,484
		158,308,506	143,614,279
Current Assets			
Inventories		**103,400**	82,852
Stock of properties		**382,808,752**	335,541,563
Land development expenditure		**28,715,739**	24,305,938
Prepaid lease payments for land		**15,389**	16,396
Trade and other receivables	*9*	**11,124,808**	14,300,567
Contract assets		**1,491,080**	-
Deposits and prepayments		**9,498,236**	7,240,012
Deposits for land use rights for property development		**10,362,832**	2,386,145
Amounts due from fellow subsidiaries		**375,544**	356,221
Amounts due from associates		**7,746,515**	5,508,696
Amounts due from joint ventures		**7,414,115**	2,985,523
Amounts due from non-controlling shareholders		**1,384,113**	728,934
Amounts due from CITIC Group		**-**	197,949
Tax prepaid		**5,436,273**	4,089,095
Bank balances and cash		**100,555,356**	104,050,615
		567,032,152	501,790,506
Current Liabilities			
Trade and other payables	*10*	**60,005,843**	51,826,299
Pre-sales deposits		**-**	77,857,359
Contract liabilities		**92,984,048**	-
Rental and other deposits		**3,434,417**	3,428,838
Amounts due to fellow subsidiaries		**977,998**	756,994
Amounts due to associates		**1,867,490**	2,028,855
Amounts due to joint ventures		**8,959,739**	5,425,631
Amounts due to non-controlling shareholders		**15,121,521**	5,053,174
Tax liabilities		**34,880,729**	29,741,619
Bank and other borrowings - due within one year		**14,627,002**	13,324,575
Notes payable - due within one year		**16,277,376**	17,099,222
		249,136,163	206,542,566
Net Current Assets		**317,895,989**	295,247,940
Total Assets Less Current Liabilities		**476,204,495**	438,862,219

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Capital and Reserves			
Share capital	*11*	**90,420,438**	90,420,438
Reserves		**193,060,632**	175,273,849
Equity attributable to owners of the Company		**283,481,070**	265,694,287
Non-controlling interests		**10,125,172**	7,849,143
Total Equity		**293,606,242**	273,543,430
Non-current Liabilities			
Bank and other borrowings - due after one year		**100,504,152**	90,256,116
Notes payable - due after one year		**64,540,446**	57,558,524
Amounts due to non-controlling shareholders		**2,013,003**	3,799,801
Deferred tax liabilities		**15,540,652**	13,704,348
		182,598,253	165,318,789
		476,204,495	438,862,219

Notes:

1. The financial information relating to the years ended 31 December 2018 and 2017 included in this announcement of annual results of 2018 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course. The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards or amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are relevant to the Group:

Amendments to Hong Kong Accounting Standard ("HKAS") 40	*Transfers of Investment Property*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*

Except for the adoption of HKFRS 15, the application of the above new and revised standards or amendments has had no material impact on the Group's results and financial position.

HKFRS 9, *Financial Instruments*

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group adopted HKFRS 9 with effective from 1 January 2018, which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The equity investments held by the Group, including available-for-sale investments and investments in syndicated property project companies previously classified as available-for-sale financial assets under HKAS 39, were reclassified as financial assets at fair value through other comprehensive income ("FVOCI") under HKFRS 9. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. At 1 January 2018 and 31 December 2018, the Group assessed the impact of loss allowance under the application of HKFRS 9 was immaterial. Except for the above, the application of HKFRS 9 did not have material impact on the classification, recognition and measurement of the other financial assets held by the Group at 1 January 2018 and 31 December 2018.

The application of HKFRS 9 did not affect the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group did not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principle-based approach. Since the Group did not have any hedge relationships currently, the application of HKFRS 9 did not have any impact on the Group's financial statements.

HKFRS 15, *Revenue from Contracts with Customers*

During the current year, the Group adopted HKFRS 15 as issued by the HKICPA. The adoption of HKFRS 15 resulted in changes in accounting policies and adjustments to the amounts of revenue recognised in the 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 revenues and costs.

The Group elected to use a modified retrospective approach for transition in the consolidated financial statements for the year ended 31 December 2018, which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018, while prior year comparative figures were not restated. The Group chose to apply HKFRS 15 for its contracts at 1 January 2018.

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

Accounting for property development activities

In prior reporting periods, the Group recognised revenue from sale of properties when significant risks and rewards of ownership of properties had been transferred to customers at a single time and not continuously as construction progresses.

Under HKFRS 15, the Group determines whether the properties have 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.

- For properties which have no alternative use to the Group and the Group has no enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied at a point in time when the customer obtains control of the property and the Group satisfies the performance obligations.

  The timing of revenue recognition for sale of certain stock of properties, which was based on whether significant risks and rewards of ownership of properties had been transferred in the past, is now recognised at a point in time when the underlying property is legally or physically transferred to the customer.

- For properties which have no alternative use to the Group and the Group has enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

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

Accounting for costs incurred for obtaining a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised and recorded in contract assets. These expenses were charged to profit or loss as incurred before the adoption of HKFRS15.

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 assets and contract liabilities

Reclassifications were made at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets in relation to amounts due from customers for contract work under the Group's construction activities were previously presented within trade and other receivables.

- Contract liabilities for progress billings recognised in relation to property development activities were previously presented as pre-sales deposits.

(a) The effects of the adoption of HKFRS 15 on the consolidated statement of financial position at 1 January 2018 are as follows:

	At 1 January 2018			
	As previously stated *HK$'000*	**Reclassifica-tion under HKFRS 15** *HK$'000*	**Adjustments under HKFRS 15** *HK$'000*	**Restated** *HK$'000*
Consolidated statement of financial position (extract)				
Interests in associates	8,232,345	-	201,789	8,434,134
Deferred tax assets	4,902,484	-	(326,353)	4,576,131
Stock of properties	335,541,563	-	16,657,747	352,199,310
Trade and other receivables	14,300,567	(487,295)	(3,834,750)	9,978,522
Deposits and prepayments	7,240,012	-	29,139	7,269,151
Contract assets	-	487,295	146,373	633,668
Tax prepaid	4,089,095	-	247,069	4,336,164
Trade and other payables	51,826,299	-	(1,906,236)	49,920,063
Pre-sales deposits	77,857,359	(73,089,843)	(4,767,516)	-
Contract liabilities	-	73,089,843	28,546,858	101,636,701
Tax liabilities	29,741,619	-	(4,578,842)	25,162,777
Deferred tax liabilities	13,704,348	-	682,695	14,387,043
Translation reserve	(2,548,848)	-	(176,433)	(2,725,281)
Retained profits	181,830,845	-	(4,526,697)	177,304,148
Non-controlling interests	7,849,143	-	(152,814)	7,696,329

(b) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	For the year ended 31 December 2018		
	Amounts before the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	HK$'000	***HK$'000***	***HK$'000***
Consolidated income statement (extract)			
Revenue	166,600,010	4,861,049	171,461,059
Business Tax	(1,658,186)	(143,976)	(1,802,162)
Direct operating costs, excluding business tax above	(101,722,349)	(3,133,064)	(104,855,413)
Selling and distribution costs	(2,813,761)	192,011	(2,621,750)
Share of profits of associates	2,079,571	128,053	2,207,624
Share of profits of joint ventures	1,234,879	(20,521)	1,214,358
Income tax expenses	(25,458,275)	(408,163)	(25,866,438)
Profit for the year attributable to:			
Owners of the Company	43,551,162	1,349,141	44,900,303
Non-controlling interests	1,675,420	126,247	1,801,667
	HK$	***HK$***	***HK$***
Earnings per share			
Basic and diluted	3.98	0.12	4.10

	At 31 December 2018		
	Amounts before the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	HK$'000	***HK$'000***	***HK$'000***
Consolidated statement of financial position (extract)			
Interests in associates	12,724,664	324,359	13,049,023
Interests in joint ventures	13,653,570	(19,723)	13,633,847
Deferred tax assets	6,088,603	(199,767)	5,888,836
Stock of properties	369,483,023	13,325,729	382,808,752
Trade and other receivables	15,455,974	(4,331,166)	11,124,808
Deposits and prepayments	9,423,838	74,398	9,498,236
Contract assets	-	1,491,080	1,491,080
Trade and other payables	61,393,927	(1,388,084)	60,005,843
Pre-sales deposits	74,336,052	(74,336,052)	-
Contract liabilities	-	92,984,048	92,984,048
Tax liabilities	38,987,845	(4,107,116)	34,880,729
Deferred tax liabilities	14,725,202	815,450	15,540,652
Translation reserve	(15,840,696)	(96,748)	(15,937,444)
PRC statutory reserve	11,114,366	42,712	11,157,078
Retained profits	214,726,363	(3,220,268)	211,506,095
Non-controlling interests	10,154,202	(29,030)	10,125,172

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

HKFRS 16	*Leases* [1]
Annual Improvement Project	*Annual Improvements 2015–2017 Cycle* [1]
Amendments to HKFRS 9	*Prepayment Features with Negative Comparison* [1]
Amendments to HKAS 19	*Employee Benefits* [1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
HK (IFRIC) – Int 23	*Uncertainty over Income Tax* [1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material* [2]
Conceptual Framework for Financial Reporting 2018 [2]	
Amendments to HKFRS 3	*Definition of Business* [2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after 1 January 2020*
[3] *The mandatory effective date will be determined*

HKFRS 16, *Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group’s operating leases. The Group does not expect any significant impact on the financial statements as a lessor. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leases will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Revenue and contribution

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

Property development	-	sales from property development activities
Property investment	-	property rentals
Other operations	-	revenue from hotel operation, real estate management services, and construction and building design consultancy services

Segment revenue and results

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

Year ended 31 December 2018

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Segment total** *HK$'000*
Revenue from contracts with customers				
- Recognised at a point in time	**141,944,667**	**-**	**-**	**141,944,667**
- Recognised over time	**25,091,901**	**-**	**890,975**	**25,982,876**
	167,036,568	**-**	**890,975**	**167,927,543**
Revenue from other sources				
- Rental income	**-**	**3,533,516**	**-**	**3,533,516**
Segment revenue	**167,036,568**	**3,533,516**	**890,975**	**171,461,059**
Business tax	**(1,738,870)**	**(45,867)**	**(17,425)**	**(1,802,162)**
Net revenue - External	**165,297,698**	**3,487,649**	**873,550**	**169,658,897**
Segment profit (including share of profits of associates and joint ventures)	**62,518,897**	**12,460,835**	**94,959**	**75,074,691**

Year ended 31 December 2017

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment revenue				
- from external customers	162,139,770	2,450,060	1,455,133	166,044,963
Business tax	(2,023,024)	(39,582)	(10,187)	(2,072,793)
Net revenue	160,116,746	2,410,478	1,444,946	163,972,170
Segment profit (including share of profits of associates and joint ventures)	51,445,746	10,000,620	273,085	61,719,451

Reconciliation of reportable segment profits to the consolidated profit before tax

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

	2018	2017
	HK$'000	*HK$'000*
Reportable segment profits	**75,074,691**	61,719,451
Unallocated items:		
Interest income on bank deposits	**1,325,088**	1,155,549
Corporate expenses	**(527,624)**	(525,226)
Finance costs	**(1,585,609)**	(1,393,544)
Net foreign exchange (losses)/gains (charged)/credited to the consolidated income statement	**(1,718,138)**	2,463,069
Consolidated profit before tax	**72,568,408**	63,419,299

4. Other income and gains, net

	2018	2017
	HK$'000	*HK$'000*
Other income and gains include:		
Interest income on bank deposits	**1,325,088**	1,155,549
Interest income on amounts due from associates, joint ventures and non-controlling shareholders	**464,700**	381,206
Other interest income	**12,602**	-
Total interest income	**1,802,390**	1,536,755
Gain on disposal of property, plant and equipment	**21,625**	9,953
Net foreign exchange (losses)/gains	**(2,863,724)**	2,138,825
Add: Exchange losses arising from foreign currency borrowings capitalised	**1,145,586**	324,244
Net foreign exchange (losses)/gains recognised in the consolidated income statement	**(1,718,138)**	2,463,069

5. Finance costs

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank and other borrowings and notes payable	**8,605,465**	7,388,248
Interest on amounts due to non-controlling shareholders	**564,889**	-
Other finance costs	**185,499**	106,620
Total finance costs	**9,355,853**	7,494,868
Less: Amount capitalised	**(7,770,244)**	(6,101,324)
	1,585,609	1,393,544

6. Income tax expenses

	2018 *HK$'000*	2017 *HK$'000*
Current tax:		
PRC Corporate Income Tax ("CIT")	**13,612,892**	10,976,364
PRC Land Appreciation Tax ("LAT")	**11,463,969**	9,433,927
PRC withholding income tax	**12,725**	145,716
Hong Kong profits tax	**177,466**	300,930
Macau income tax	**271,917**	42,854
Others	**9,391**	7,887
	25,548,360	20,907,678
Under/(over) provision in prior years:		
CIT	**-**	(1,379)
Hong Kong profits tax	**2,817**	37,872
Macau income tax	**-**	(2,522)
	2,817	33,971
Deferred tax:		
Current year	**315,261**	335,535
Total	**25,866,438**	21,277,184

Under the Law of PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2017: 25%).

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

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year.

Macau income tax is calculated at the prevailing tax rate of 12% (2017: 12%) in Macau.

7. Earnings per share

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**44,900,303**	40,766,835

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**10,956,201**	10,956,201

Diluted earnings per share were the same as the basic earnings per share for the year ended 31 December 2018 and 2017 as there were no dilutive potential ordinary shares in existence during the years.

8. Dividends

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year		
Interim dividend paid in respect of financial year ended 31 December 2018 of HK40 cents (2017: financial year ended 31 December 2017 interim dividend of HK35 cents) per share	**4,382,481**	3,834,671
Final dividend paid in respect of financial year ended 31 December 2017 of HK45 cents (2017: financial year ended 31 December 2016 final dividend of HK42 cents) per share	**4,930,291**	4,601,605
	9,312,772	8,436,276

The final dividend of HK50 cents in respect of the financial year ended 31 December 2018 (2017: final dividend of HK45 cents in respect of the financial year ended 31 December 2017) per share, amounting to HK$5,478,100,000 (2017: HK$4,930,291,000) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed, which was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements, has not been recognised as a liability in the consolidated financial statements.

9. Trade and other receivables

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables, aged		
0–30 days	**5,973,972**	6,315,313
31–90 days	**778,659**	653,876
Over 90 days	**718,485**	1,857,092
	7,471,116	8,826,281
Other receivables	**3,653,692**	5,474,286
	11,124,808	14,300,567

Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer.

In determining the recoverability of a trade receivable, management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors of the Company believe that there is no provision required at the end of the reporting period.

10. Trade and other payables

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

	2018	2017
	HK$'000	*HK$'000*
Trade payables, aged		
0–30 days	**17,871,619**	12,550,567
31–90 days	**3,273,273**	1,392,923
Over 90 days	**20,768,075**	20,223,088
	41,912,967	34,166,578
Other payables	**7,024,946**	6,537,816
Retentions payable	**11,067,930**	11,121,905
	60,005,843	51,826,299

Other payables mainly include other taxes payable and accrued charges.

Of the other payables and retentions payable, an amount of HK$4,242,362,000 (2017: HK$4,632,851,000) is due beyond twelve months from the end of the reporting period.

11. Share capital

	Number of shares	
	'000	***HK$'000***
Issued and fully paid		
At 1 January 2018 and 31 December 2018	**10,956,201**	**90,420,438**

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK50 cents per share for the year ended 31 December 2018. Together with an interim dividend of HK40 cents per share, the total dividend for the whole year amounted to HK90 cents per share, HK10 cents increase compared with the total dividend of HK80 cents per share for the previous year.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company (the "**2019 AGM**") and the final dividend warrant is expected to be despatched to the shareholders of the Company on 5 July 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2019 AGM, and entitlement to the proposed final dividend, the Company's Register of Members will be closed as set out below:

(i) For determining eligibility to attend and vote at the 2019 AGM:

- Latest time to lodge transfer documents for registration with Company's registrar and transfer office	At 4:30 p.m. on 10 June 2019
- Closure of Register of Members	11 June 2019 to 14 June 2019 (both days inclusive)
- Record date	14 June 2019

(ii) For determining entitlement to the final dividend:

- Ex-dividend date	18 June 2019
- Latest time to lodge transfer documents for registration with Company's registrar and transfer office	At 4:30 p.m. on 19 June 2019
- Closure of Register of Members	20 June 2019
- Record date	20 June 2019

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2019 AGM, and to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar and transfer office at Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than the aforementioned latest time.

CHAIRMAN’S STATEMENT

I have pleasure to report to the shareholders the audited revenue of the Group for the year ended 31 December 2018 was HK$171.46 billion, an increase of 3.3%; operating profit was HK$70.73 billion, an increase of 12.5%; profit attributable to equity shareholders of the Company increased by 10.1% to HK$44.90 billion; the net profit margin was 26.2%; the core net profit, after deducting HK$7.81 billion in net gains after tax arising from changes in fair value of investment properties, amounted to HK$37.09 billion, representing an increase of 8.3% as compared to last year; basic earnings per share was HK$4.10; shareholders’ funds increased to HK$283.48 billion; net assets per share was HK$25.87; and average return on shareholders’ funds was 16.4%. The Board proposed a final dividend of HK50 cents per share.

In 2018, the Group set out the objective to achieve better and faster development. Contracted property sales of the Group together with its joint ventures and associates (collectively the “Group Series of Companies”) were HK$301.24 billion, representing an increase of 29.8% over the previous year, while the average selling price reached HK$18,905/sq m, and the product premium remained at an industry-leading level. The Group acquired 63 new parcels of land, adding a total gross floor area (“GFA”) of 17.64 million sq m (attributable interest of 12.72 million sq m) at a total land premium of HK$144.32 billion (attributable interest of HK$108.44 billion). Among the new land parcels, 13 were acquired at reserve price, accounting for 21% of the annual total attributable land premium. Attracting much market attention among the new additions to the land reserve were Hongqi Village in Shanghai, which is the largest urban village redevelopment project in the city’s downtown area, and Kai Tak Area 4B Site 2 in Kowloon, Hong Kong. At the end of December, the land reserve of the Group Series of Companies reached 91.44 million sq m.

During the year, the Group maintained the highest credit ratings among the industry (from Fitch, Moody’s and Standard & Poor’s at A-/stable, Baa1/stable and BBB+/stable respectively). The weighted average borrowing costs were 4.30%, among the lowest level in the industry. The Group has ample cash and is financially healthy, with bank balances and cash amounted to HK$100.56 billion at 31 December 2018, and net gearing of 33.7% which was among the lowest level in the industry.

The world is facing its biggest challenge in a century with significantly raised levels of uncertainty in international political and economic structures. In 2018, frequent rate hikes for the US dollar, together with the US-initiated trade war, intensified uncertainty about global economic growth. The Chinese economy steadily progressed and evolved, but not without concerns. With the ratcheting up of regulations and controls, transactions slowed in the mainland real estate market. The Hong Kong property market also turned down after 28 consecutive months of rises. Facing uncertain external economic conditions, the Group adhered to a strategic development that seeks steady progress amid stability, striving to create better value and returns for shareholders. In 2018, the Group successfully achieved various business objectives.

This year, 2019, marks the 40th anniversary of the Group, representing an era of maturity and confidence on the path ahead. Having braved the challenges of numerous economic and real estate cycles, the Group strongly believes that China’s economy is still in a period of important strategic opportunity. The Group has confidence in the development of China’s economy and its own development strategy. In 2018, China’s GDP exceeded RMB 90 trillion for the first time, with its year-on-year increase of 6.6% the highest growth rate among the world’s top five economies. Commercial housing covering 1.7 billion sq m was sold in mainland China, amounting to approximately RMB15 trillion in total sales. Both the area sold and sales value of commercial housing were historic highs, indicating that the domestic real estate market still holds huge demand.

The Group is further striving to achieve its strategic goal of "to be an exceptional global property development corporation", expanding and creating better livings around its principle business of property development and operation, continually strengthening its three major businesses – "Residential Development", "Urban Services" and "Design Services" – and investing 90% of resources into the principal business of residential development and 10% into commercial and innovation. In 2018, the Group's total operating revenue from commercial properties was HK$4.06 billion, an increase of 38.1%, among which the leasing performance of investment properties was satisfactory with total rental income increased by 44.1% to HK$3.53 billion. Income generated from hotel and other commercial properties was HK$0.53 billion, a year-on-year increase of 8.2%. Looking ahead, it is expected that the total operating revenue from commercial properties will exceed HK$10 billion in 5 years. At the end of 2018, the total area of commercial properties held by the Group Series of Companies which are in operation was 4.09 million sq m, which comprised a total of 42 office buildings, 13 shopping malls and 12 star-rated hotels. The Group is the biggest developer of office buildings under single ownership and the leased area exceeded 500,000 sq m for two consecutive years, attracting more than 120 Fortune 500 Global enterprises taking up leases on the China Overseas office buildings. The Group's co-working office brand "OfficeZip" established presence in six mainland China cities including Beijing, Shanghai, Chengdu, with co-working office area amounting to approximately 30,000 sq m. The Group's continuous exploration of new growth opportunities drives its stable long-term development, and new business focused on real estate development saw 13 projects come on stream in 2018, covering the Group's three businesses – education, senior living and logistics, in 12 business types, ranging from schools, kindergartens, COLI Academy, outdoor camps and senior apartments, to logistic industrial parks and more, with a cumulative operating area exceeding 350,000 sq m.

At the milestone of 40 years of development, the Group firmly believes the measure of a good business is whether it qualifies as "a Company of Four Excellences", offering "good products and good services", and demonstrating "good effectiveness and good citizenship".

The Group believes that the foundation of an effective business is to provide customers with "good products and good services". In 2018, the Group paid unprecedented attention to researching customer expectations in the new era. On the two axes of purchasing power and family structure, the Group established a customer segmentation model alongside a product system that serves five categories and ten types of customer. By corresponding to the needs and concerns of different customers, the system combines standardisation and innovative design with cost flexibility, builds a solid quality control and operational evaluation system, strengthens precision in construction, embraces new technologies, new materials, new processes, and continuously improves product quality. To ensure it kept listening to customers' voices through multiple channels, the Group continued with its home owner visit programme called "Knock-Knock". The Group implemented independent third party "Mystery Customer Visits" to ensure the timely review of product quality and customer service issues. The Group also funded the upgrading of old community facilities beyond its maintenance obligations and held a variety of customer networking activities, greatly boosting customer satisfaction to an industry-leading level. In 2018, the Group established a digital information platform that embraces the whole process of real estate development, offering IT capabilities such as city maps, panoramic project management planning, inventory management systems, three-tier customer inventory, cost management, customer relationship management (CRM), and remote video monitoring of project works, to achieve accurate quantitative management of various factors and measures including construction, progress, costs, price, sell-through rate and customer communications, enabling “good products and good services” with information technology to ensure “good effectiveness”.

Embracing “good citizenship” is an on-going effort of the Group which continuously fulfils its corporate social responsibility. The Group ranks employee satisfaction as an important goal. The Group has established a staff care plan, continuously optimised working environments, enhanced employee remuneration and benefits, and improved its “Sons of the Sea”, “Sea’s Recruits” and “Stars of the Sea” talent training systems, which have earned the Group acclaim as the best employer in the industry. The Group actively promotes low-carbon practices to protect the environment, prioritising the procurement of green building materials and energy-saving devices and facilities, accelerating the implementation of smart construction sites and maximising the proportion of prefabricated residential developments, which contributed to green building certification for 42 new projects during the year, comprising an area of 8.57 million sq m. Cumulatively the Group has had 156 projects awarded green building certification (including 134 residential projects and 22 commercial projects), representing an area of 27.55 million sq m recognised as green buildings. This year, the Group secured first-place honours in the annual “China’s Listed Real Estate Enterprise Green Credit Rankings”. The Group donated further funds to build 14 Hope Schools. Leveraging the resourcefulness of its millions of clients and customers, the Group initiated a targeted poverty alleviation initiative “Sea of Hope” in three poverty-affected mainland counties: Shanxi’s Lan County, Gansu’s Kang County and Chongqing’s Wuxi County. Through this initiative, the Group helps Lan County to launch a unique agricultural brand “Xiurong Millet”, which helps farmers to develop online sales and enables poor farmers to rise above the poverty line. The Group is proud that its charitable efforts were recognised with the “2018 Exemplary Philanthropic Enterprise” award.

The Group is one of the few Chinese real estate companies to have weathered numerous economic and real estate cycles and still stand strong as a market leader in mainland China as well as in Hong Kong and Macau. As the mainland property market moves from a period of rapid growth to one of steady development and Hong Kong’s real estate market readjusts after recent price highs, the Group is of the view that these conditions will foster more sustainable and healthier growth of the market. The Group is confident that the development of China’s real estate market will remain robust in the medium to long term, and has a clear understanding of likely short-term adjustments. Aiming to stabilise land prices, housing prices and market expectations, the state policy will strive to balance the government’s regulatory grip and steady growth, paying more attention to sustainability while fostering smooth operation in the market. It will also reinforce city-specific growth policies, accelerate differentiation in market structure, and command higher expectations of enterprises’ strategies, professional capabilities, financial strength, and human resource quality. The Group will maintain its strategies and stay committed to its vision “to be an exceptional global property development corporation”, firmly adhering to its operating philosophy of “good products, good services, good effectiveness and good citizenship”, maintaining its positioning in major cities, mainstream areas and mainstream products, and stride through market cycles to better and faster development.

In 2018, the Group launched its share option scheme, granting share options comprising 107,320,000 shares to 404 middle to senior executives. In the next few years, the Group will launch the share option scheme in phases. During the year, the Group is named by the Central Government as a pilot organisation for the “Professional Manager” system. Our senior executives all signed a professional manager agreement pledging their commitment to effectively enhance the career solidarity of middle and senior management. The Group pledges to comprehensively achieve sustained value-added satisfaction for the Company, its shareholders, business associates, staff and the community. The State-owned Assets Supervision and Administration Commission of the State Council recently named

China State Construction Engineering Corporation, the controlling shareholder of the Group, as one of ten central state-owned enterprises that are previsioned to be “world-class exemplary enterprises” – acclaim that will bring the Group more and greater development opportunities.

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

China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

Overall Performance

During the year, the revenue of the Group increased to HK$171.46 billion (2017: HK$166.04 billion), representing an increase of 3.3% as compared to last year. The operating profit was HK$70.73 billion (2017: HK$62.87 billion), representing an increase of 12.5%. The gross profit margin increased by 4.9 percentage points from 32.9% in last year to 37.8%, and the net profit margin reached 26.2%, maintaining at industry-leading level. The ratio of selling and distribution costs and administrative expenses to revenue was 3.3%, which remained one of the lowest in the industry. Profit attributable to equity shareholders of the Company amounted to HK$44.90 billion (2017: HK$40.77 billion), representing an increase of 10.1%. The average return on shareholders' funds was 16.4%. Basic earnings per share was HK$4.10 (2017: HK$3.72), an increase of 10.1%.

At 31 December 2018, the equity attributable to shareholders of the Company was HK$283.48 billion (2017: HK$265.69 billion), an increase of 6.7% as compared to last year end, while the net assets per share was HK$25.87 (2017: HK$24.25). At the end of December, the Group's financial position was good with ample cash resources of HK$100.56 billion and net gearing of 33.7%.

Property Development

During the year, the Group's revenue from property development was HK$167.04 billion (2017: HK$162.14 billion), mainly related to property projects including Paramount Jade in Jinan, The Grace in Nanjing, La Cite in Fuzhou, One Blossom Cove in Guangzhou, The Paragon in Shenzhen, Blossom Land in Nanjing, La Cite in Tianjin, International Community in Yantai, Glory Mansion in Harbin.

Segment profit (including the Group's share of profits of associates and joint ventures) amounted to HK$62.52 billion (2017: HK$51.45 billion), an increase of 21.5% as compared to last year.

During the year, the Group Series of Companies (excluding China Overseas Grand Oceans Group Limited ("COGO")) completed 71 projects with a total area of 13.64 million sq m in 30 cities in mainland China.

The table below shows the area of projects completed by region in 2018:

City	Total Area ('000 sq m)
Hua Nan Region	
Fuzhou	378
Hainan	480
Shenzhen	250
Dongguan	567
Guangzhou	890
Foshan	607
Changsha	933
Zhuhai	266
Sub-total	**4,371**
Hua Dong Region	
Wuxi	715
Hangzhou	144
Suzhou	227
Nanjing	717
Nanchang	127
Shanghai	100
Ningbo	202
Sub-total	**2,232**
Hua Bei Region	
Beijing	45
Tianjin	64
Jinan	967
Wuhan	224
Taiyuan	259
Sub-total	**1,559**
Northern Region	
Changchun	729
Dalian	141
Qingdao	343
Shenyang	743
Yantai	580
Harbin	779
Sub-total	**3,315**
Western Region	
Urumqi	465
Chengdu	1,094
Xi'an	297
Kunming	304
Sub-total	**2,160**
Total	**13,637**

During the year, the Group acquired 63 land parcels in 28 cities in mainland China and Hong Kong, adding a total GFA of 17.64 million sq m to the land reserve (attributable interest of 12.72 million sq m). The total land premium was HK$144.32 billion (attributable interest of HK$108.44 billion).

The table below shows the details of land parcels added in 2018:

City	**Name of Development Project**	**Attributable Interest**	**Land Area ('000 sq m)**	**Total GFA ('000 sq m)**
Foshan	Shunde District Project	100%	149	386
Hangzhou	Binjiang District Project	100%	23	89
Beijing	Changping District Project	100%	175	490
Guangzhou	Nansha District Project	100%	79	234
Shenzhen	Pingshan District Project	100%	19	124
Beijing	Daxing District Project #1	100%	74	206
Kunming	Wuhua District Project	60%	103	515
Urumqi	Shuimogou District Project #1	100%	34	145
Urumqi	Shuimogou District Project #2	100%	35	143
Shenyang	Hunnan District Project	100%	180	450
Guangzhou	Panyu District Project	14%	76	366
Chongqing	Banan District Project	51%	89	299
Wuhan	Jiang'an District Project #1	51%	22	130
Xi'an	Changan District Project	100%	131	569
Jinan	Gaoxin District Project #1	34%	200	450
Changsha	Yuhua District Project	100%	71	343
Qingdao	Gaoxin District Project#1	100%	86	232
Beijing	Daxing District Project #2	33%	31	128
Kunming	Guandu District Project	100%	117	584
Urumqi	Gaoxin District Project	100%	17	76
Chongqing	Nanchuan District Project	100%	121	292
Urumqi	Huizhan Pian District Project	100%	58	240
Fuzhou	Gaoxin District Project	100%	30	112
Changchun	Beihu District Project	100%	172	572
Tianjin	Hongqiao District Project	25%	52	242
Jinan	Gaoxin District Project #2	33%	215	474
Nanchang	Xinjian District Project	100%	64	106
Hangzhou	Xihu District Project	100%	39	134
Foshan	Shunde District Project	100%	17	55
Nanchang	Ganjiang New District Project	100%	111	282
Suzhou	Gaoxin District Project	51%	54	159

City	Name of Development Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
Ningbo	Yinzhou District Project	100%	37	107
Nanjing	Jiangbei New District Project	100%	149	457
Zhengzhou	Zhengdong New District Project	100%	52	139
Yantai	Fushan District Project	100%	120	415
Beijing	Daxing District Project #3	100%	40	145
Harbin	Songbei District Project	100%	63	129
Jinan	Licheng District Project	100%	70	307
Harbin	Daoli District Project #1	100%	48	158
Beijing	Chaoyang District Project	100%	75	143
Changchun	Beihu Technology Development District Project	100%	200	530
Ezhou	Gedian Development District Project	50%	124	427
Shanghai	Putuo District Project #1	70%	15	55
Shanghai	Putuo District Project #2	70%	24	117
Shanghai	Putuo District Project #3	70%	23	85
Shanghai	Putuo District Project #4	70%	9	97
Harbin	Daoli District Project #2	100%	47	154
Wuhan	Jiang'an District Project #2	99%	18	147
Beijing	Shijingshan District Project	80%	61	246
Qingdao	Shibei District Project	100%	43	181
Guangzhou	Zengcheng District Project #1	25%	133	596
Guangzhou	Zengcheng District Project #2	20%	85	380
Fuzhou	Jinan District Project	50%	35	137
Dalian	Gaoxin Yuan District Project	100%	67	180
Wuhan	Caidian District Project	100%	91	361
Yantai	Zhifu District Project	100%	30	53
Qingdao	Gaoxin District Project #2	18%	318	1,160
Qingdao	Gaoxin District Project #3	18%	293	1,217
Chengdu	Tianfu New District Project	100%	64	182
Changchun	Jingyue District Project	100%	133	311
Suzhou	Gongye Yuan District Project	100%	9	154
Shanghai	Pudong New District Project	49%	103	189
Hong Kong	Kai Tak Project	100%	9	55
Total			**5,232**	**17,641**

At 31 December 2018, the Group Series of Companies (excluding COGO) had a total land reserve of 70.10 million sq m (attributable interest of 56.97 million sq m).

The major associate COGO acquired 25 land parcels, adding a total GFA of 5.02 million sq m. At 31 December 2018, its total land reserve was 21.34 million sq m (attributable interest of 19.98 million sq m).

The total land reserve of the Group Series of Companies reached 91.44 million sq m.

During the year, the profit contribution from joint ventures and associates amounted to HK$3.42 billion. The major associate COGO recorded contracted property sales of HK$50.54 billion, revenue of HK$25.57 billion, and a net profit of HK$2.50 billion. The Group earned a net profit of HK$930 million from COGO for the year. In early 2018, COGO raised a total of HK$4.61 billion through a rights issue, further strengthening its financial capability. The Group has subscribed for 445,265,017 COGO's shares under the rights issue at a total consideration of HK$1.82 billion. The Group's shareholding in COGO is 38.32% after the completion of the rights issue.

Property Investment

Rental income from the Group's investment properties amounted to HK$3.53 billion (2017: HK$2.45 billion), an increase of 44.1% as compared to last year. Throughout the year, the Group was more active in identifying and exploiting synergies and creating commercially attractive brands. Also, the investment properties completed were put into operation as planned during the year. These led to the increase in rent, occupancy rate and leased area.

Segment profit amounted to HK$12.46 billion, an increase of 24.6%, which includes the gain arising from changes in fair value of investment properties amounting to HK$10.41 billion (net gain attributable to the Group after deferred tax was HK$7.81 billion).

Other Operations

During the year, revenue from other operations amounted to HK$890 million (2017: HK$1.45 billion), of which income from hotels and other commercial properties was HK$530 million (2017: HK$490 million), an increase of 8.2%.

Liquidity, Financial Resources and Debt Structure

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

The overall financial position of the Group was satisfactory. At 31 December 2018, the net current assets were HK$317.90 billion, the current ratio was 2.3 times, interest cover was 7.8 times and the weighted average borrowing costs were 4.30%, which were at an outstanding level in the industry. In April 2018, the Group accurately grasped the critical window of the capital market and successfully issued two senior notes with a maturity period of five-year and ten-year each at a total amount of USD1.5 billion. In October 2018, the Group has also successfully issued a six-year corporate bond with a face value of RMB3.5 billion and a coupon rate of 4.00%. During the year, the Group also arranged a number of onshore and offshore bilateral loans for refinancing and working capital purposes.

During the year, the Group raised fund from onshore and offshore debt financing amounted to HK$46.69 billion. Total repayment of matured debts amounted to HK$23.59 billion. Sales proceeds collection increased to HK$178.49 billion as compared to last year. Total capital expenditure payments for the Group were HK$161.43 billion (of which HK$117.02 billion was spent on land premium and HK$44.41 billion was spent on construction-related expenditure). About HK$37.18 billion was paid for taxes, selling and distribution costs, administrative expenses and financing expenses. At the end of December 2018, unpaid land premium of the Group was HK$17.63 billion.

During the year, mindful of the need to continuously optimise its debt structure and plan ahead for the uncertain capital environment, the Group negotiated a HK$30 billion five-year club loan agreement with 20 banks, which was successfully signed in January 2019. The borrowing cost was one of the lowest in the industry over the period and the loan is the largest bank financing arrangement in the history of the Group in Hong Kong. Ahead of time, the Group successfully undertook the refinancing of non-RMB offshore interest-bearing debts due in 2019 and early 2020. In addition, the Group successfully issued RMB3.5 billion corporate bond in mainland China in January 2019. Among them were a six-year corporate bond with a face value of RMB2.0 billion and a coupon rate of 3.47%; and a seven-year corporate bond with a face value of RMB1.5 billion and a coupon rate of 3.75%. Looking ahead, the Group will closely monitor the developments in the financial markets and carefully consider appropriate financing methods and opportunities.

At 31 December 2018, bank and other borrowings and notes payable of the Group were HK$115.13 billion and HK$80.82 billion, respectively. Total interest-bearing debts amounted to HK$195.95 billion, of which HK$30.90 billion will be matured within a year, accounting for 15.8% of total interest-bearing debts. Among the total interest-bearing debts, 18.9% was denominated in Hong Kong dollars, 25.6% was denominated in US dollars, 49.9% was denominated in Renminbi, 4.6% was denominated in Euros and 1.0% was denominated in Pounds Sterling. The fixed-rate debts accounted for 51.1% of overall interest-bearing debts, while the floating-rate debts accounted for 48.9%.

At 31 December 2018, the Group had bank balances and cash amounting to HK$100.56 billion (of which 8.0% was denominated in Hong Kong dollars, 4.6% was denominated in US dollars, 86.2% was denominated in Renminbi, 1.1% was denominated in Pounds Sterling and minimal amounts were denominated in other currencies).

The year witnessed major volatility in both exchange and interest rates. The RMB exchange rate rose, slumped and rebounded slightly. The mainland market, after experiencing a credit contraction and some cuts in the reserve requirement ratio (RRR), maintained adequate liquidity while the market terminal interest rate moved downward. The US Federal Reserve raised interest rates four times, strengthening the US dollar. The cost of overseas financing gradually increased. In the future, the Group will closely monitor the potential for interest rate movements and consider the factors that might generate large fluctuations in the exchange rates between the Hong Kong dollar, RMB and US dollar. The Group has never participated in any speculative trading of derivative financial instruments, but will carefully consider whether to conduct currency and interest rate swaps at an appropriate time to hedge against corresponding risks. The Board believes that the Group's exchange rate and interest rate risks are relatively controllable.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Friday, 14 June 2019 at 11:00 a.m.. The notice of the 2019 AGM, which constitutes part of a circular to shareholders of the Company, will be sent to the shareholders of the Company in due course.

All shareholders of the Company are encouraged to attend the 2019 AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting, and will be able to meet with directors and the senior management of the Company.

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 year ended 31 December 2018 and up to the date of this announcement.

On 6 February 2018, China Overseas Property Group Co., Ltd. ("**CO Property**"), a wholly-owned PRC subsidiary of the Company, issued RMB3.0 billion with 5.60 per cent. medium term notes due February 2021 in PRC. The medium term notes are listed on The Inter-Bank Market of China*.

On 26 April 2018, China Overseas Finance (Cayman) VII Limited, a wholly-owned subsidiary of the Company, issued US$750 million 4.25 per cent. guaranteed notes due April 2023 and US$750 million 4.75 per cent. guaranteed notes due April 2028. The guaranteed notes are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

On 22 October 2018, CO Property issued RMB3.5 billion 4.00 per cent. corporate bonds due October 2024. The corporate bonds are listed on the Shenzhen Stock Exchange ("**SZSE**").

On 29 October 2018 (i.e., maturity date of the guaranteed notes), China Overseas Finance (Cayman) III Limited, a wholly-owned subsidiary of the Company, redeemed its US$500 million 3.375 per cent. guaranteed notes in whole at par. The guaranteed notes were listed on the Stock Exchange prior to redemption.

On 19 November 2018, CO Property partially redeemed its RMB7.0 billion 3.40 per cent. corporate bonds due November 2021 with sell-back option at par. The corporate bonds are listed on the Shanghai Stock Exchange ("**SHSE**"). The total sell-back amount is RMB3,596,284,000.

On 9 December 2018, CITIC Real Estate Group Company Limited* ("**CITIC Real Estate**"), a wholly-owned PRC subsidiary of the Company, partially redeemed its RMB4.0 billion 4.80 per cent. private corporate bonds due December 2020 with sell-back option at par. The private corporate bonds are listed on the SHSE. The total sell-back amount of the redemption is RMB2,985 million.

On 15 January 2019, CITIC Real Estate partially redeemed its RMB1.0 billion 4.40 per cent. private corporate bonds due January 2021 with sell-back option at par. The private corporate bonds are listed on the SHSE. The total sell-back amount of the redemption is RMB600 million.

On 24 January 2019, CO Property issued corporate bonds with a total principal amount of RMB3.5 billion due January 2025 and January 2026. The corporate bonds are listed on the SZSE.

For details of the aforementioned securities, please refer to relevant announcements of the Company.

* For identification purpose only

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2018 with all the code provisions (except A.2.1 and A.4.1 as explained below) of the Corporate Governance Code ("**CG Code**") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and with some of the recommended best practices contained therein.

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yan Jianguo ("**Mr. Yan**") has become the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company since 13 June 2017. The Board considers that vesting both roles in one individual would result in more consistent leadership of the Group. Also, taking into account Mr. Yan's experience and knowledge in property development and commercial property management, the Board is confident that Mr. Yan will assist the Group to formulate comprehensive, competitive, long-term and substantial business strategies and plans and implement them accordingly.

In respect of the checks and balances on Mr. Yan's power and authority, the Board considers that the different duties and roles of the Chairman and the Chief Executive Officer of the Company have been clearly defined since June 2007. Also, the Board, which comprises experienced and high calibre individuals, together with the check-and-balance mechanism of the Company can monitor the exercising of power and authority by Mr. Yan. In any event, the Board will review this arrangement from time to time and will consider the appropriate adjustment if suitable circumstances arise.

CG Code A.4.1 stipulates that non-executive directors should be appointed for a specific term. The non-executive Directors of the Company (as well as all other Directors) 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of code of conduct on governing securities transactions by directors (the "**Code of Conduct**") on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. Having made specific inquiries to all Directors, they confirmed that they have complied with the Code of Conduct throughout the year of 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE AND REVIEW OF ACCOUNTS

The Company's Audit and Risk Management Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

By Order of the Board
China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Chief Executive Officer

Hong Kong, 20 March 2019

As at the date of this announcement, Mr. Yan Jianguo (Chairman and Chief Executive Officer), Mr. Luo Liang and Mr. Guo Guanghui are the executive directors; Mr. Chang Ying is the non-executive director; and Mr. Lam Kwong Siu, Dr. Fan Hsu Lai Tai, Rita and Mr. Li Man Bun, Brian David are the independent non-executive directors of the Company.

This final results announcement is published on the Company's website (http://www.coli.com.hk) and the website of the Stock Exchange (http://www.hkexnews.hk). The 2018 Annual Report will also be available at the aforementioned websites and will be despatched to shareholders of the Company thereafter in due course.