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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)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

FINANCIAL HIGHLIGHTS

1. Contracted property sales increased by 28.7% to HK\$194.20 billion and the corresponding sales area was 9.22 million sq m, an increase of 8.9%.
2. Revenue increased to HK\$93.38 billion.
3. Operating profit increased to HK\$36.61 billion. Gross profit margin of property development projects remained at industry-leading level.
4. Profit attributable to equity shareholders of the Company increased by 7.4% to HK\$24.94 billion. The core net profit increased to HK\$20.99 billion, an increase of 9.5%.
5. Basic earnings per share increased by 7.4% to HK\$2.28.
6. The Group acquired 24 land parcels in 18 cities in mainland China and Hong Kong, adding a total GFA of 4.64 million sq m to the land reserve. At 30 June 2019, total land reserve of the Group Series of Companies was 91.75 million sq m.
7. At 30 June 2019, the Group had bank and other borrowings and notes payable amounted to HK\$139.98 billion and HK\$77.90 billion respectively; bank balances and cash amounted to HK\$112.04 billion; the net gearing of the Group was at an industry-low level of 35.0%.
8. The shareholders' funds of the Company increased from HK\$283.48 billion at end of 2018 to HK\$302.39 billion, an increase of 6.7%. The net assets per share was HK\$27.60. The half-year return on shareholders' funds was 8.5%.
9. The Board proposed an interim dividend of HK45 cents per share (2018: HK40 cents per share), an increase of 12.5% as compared to the corresponding period in 2018.

Striving Ahead for 40 Years Striding Confidently on the New Journey

The board of directors (the “**Board**”) of China Overseas Land & Investment Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019. The profit attributable to equity shareholders of the Company amounted to HK\$24.94 billion, representing an increase of 7.4% as compared to the corresponding period in 2018. The basic earnings per share is HK\$2.28; shareholders’ funds increased by 6.7% to HK\$302.39 billion; net assets per share was HK\$27.60; and half-year return on shareholders’ funds was 8.5%. The Board proposed an interim dividend of HK45 cents per share.

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the six months ended 30 June 2019 and the comparative figures for the corresponding period in 2018 are as follows:

	<i>Notes</i>	Six months ended 30 June	
		2019 <i>HK\$’000</i> <i>(Unaudited)</i>	2018 <i>HK\$’000</i> <i>(Unaudited)</i>
Revenue	3	93,375,471	88,600,754
Direct operating costs		<u>(60,792,349)</u>	<u>(56,900,243)</u>
		32,583,122	31,700,511
Other income and gains, net		1,368,923	1,399,526
Gain arising from changes in fair value of investment properties		5,260,177	5,408,138
Gain on disposal of investment properties		291,864	23,265
Selling and distribution costs		(1,320,666)	(1,100,318)
Administrative expenses		<u>(1,571,769)</u>	<u>(1,685,138)</u>
Operating profit		36,611,651	35,745,984
Share of profits of			
Associates		1,303,153	1,465,573
Joint ventures		949,246	622,808
Finance costs	4	<u>(475,819)</u>	<u>(690,294)</u>
Profit before tax		38,388,231	37,144,071
Income tax expenses	5	<u>(12,931,762)</u>	<u>(12,888,669)</u>
Profit for the period		<u>25,456,469</u>	<u>24,255,402</u>
Attributable to:			
Owners of the Company		24,941,516	23,218,766
Non-controlling interests		<u>514,953</u>	<u>1,036,636</u>
		<u>25,456,469</u>	<u>24,255,402</u>
EARNINGS PER SHARE	6	HK\$	HK\$
Basic and diluted		<u>2.28</u>	<u>2.12</u>
DIVIDENDS	7	HK\$’000	HK\$’000
Interim dividend of HK45 cents per share (2018: HK40 cents per share)		<u>4,930,291</u>	<u>4,382,481</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	25,456,469	24,255,402
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of the Company and its subsidiaries	(598,296)	(3,230,981)
Exchange differences on translation of associates and joint ventures	(29,738)	(237,243)
	(628,034)	(3,468,224)
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of associates	(68,811)	(129,108)
Other comprehensive income for the period	(696,845)	(3,597,332)
Total comprehensive income for the period	24,759,624	20,658,070
Total comprehensive income attributable to:		
Owners of the Company	24,259,993	19,814,965
Non-controlling interests	499,631	843,105
	24,759,624	20,658,070

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Non-current Assets			
Investment properties		120,702,848	111,574,402
Property, plant and equipment	2	4,736,340	3,666,270
Prepaid lease payments for land	2	-	531,615
Interests in associates		13,338,412	13,049,023
Interests in joint ventures		14,878,090	13,633,847
Amounts due from associates		2,377,800	4,930,272
Amounts due from joint ventures		7,224,453	4,581,650
Other receivables		494,043	388,066
Goodwill		64,525	64,525
Deferred tax assets		7,645,028	5,888,836
		171,461,539	158,308,506
Current Assets			
Stock of properties and other inventories		413,154,529	382,912,152
Land development expenditure		29,170,044	28,715,739
Prepaid lease payments for land	2	-	15,389
Trade and other receivables	8	13,007,525	11,124,808
Contract assets		1,045,017	1,491,080
Deposits and prepayments		9,363,463	9,498,236
Deposits for land use rights for property development		10,475,313	10,362,832
Amounts due from fellow subsidiaries		267,807	375,544
Amounts due from associates		7,512,251	7,746,515
Amounts due from joint ventures		8,457,577	7,414,115
Amounts due from non-controlling shareholders		1,263,647	1,384,113
Tax prepaid		6,786,932	5,436,273
Bank balances and cash		112,035,811	100,555,356
		612,539,916	567,032,152
Current Liabilities			
Trade and other payables	9	65,249,119	63,440,260
Dividend payable	7	5,478,100	-
Contract liabilities		94,631,429	92,984,048
Amounts due to fellow subsidiaries and related companies		2,785,700	977,998
Amounts due to associates		1,545,597	1,867,490
Amounts due to joint ventures		9,619,646	8,959,739
Amounts due to non-controlling shareholders		17,114,658	15,121,521
Tax liabilities		37,878,403	34,880,729
Bank and other borrowings - due within one year		21,048,636	14,627,002
Notes payable - due within one year		8,879,393	16,277,376
		264,230,681	249,136,163
Net Current Assets		348,309,235	317,895,989
Total Assets Less Current Liabilities		519,770,774	476,204,495

	30 June 2019	31 December 2018
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Capital and Reserves		
Share capital	90,420,438	90,420,438
Reserves	211,968,906	193,060,632
Equity attributable to owners of the Company	302,389,344	283,481,070
Non-controlling interests	10,672,997	10,125,172
Total Equity	313,062,341	293,606,242
Non-current Liabilities		
Bank and other borrowings - due after one year	118,933,290	100,504,152
Notes payable - due after one year	69,021,543	64,540,446
Amounts due to non-controlling shareholders	1,194,741	2,013,003
Lease liabilities	271,241	-
Deferred tax liabilities	17,287,618	15,540,652
	206,708,433	182,598,253
	519,770,774	476,204,495

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

The financial information relating to the year ended 31 December 2018 that is included in the preliminary announcement of interim results for the six months ended 30 June 2019 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). 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 (3) of the Hong Kong Companies Ordinance (Cap. 622).

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

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies applied are consistent with those of the Group’s annual financial statements for the year ended 31 December 2018 as described in those annual financial statements, except for the adoption of new and revised standards or amendments effective for the financial year ending 31 December 2019.

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

HKFRS 16	<i>Leases</i>
Annual Improvement Project	<i>Annual Improvements 2015-2017 Cycle</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Comparison</i>
Amendments to HKAS 19	<i>Employee Benefits</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK (IFRIC) – Int 23	<i>Uncertainty over Income Tax</i>

Except for the adoption of HKFRS 16, 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 16, *Leases*

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

The Group applied the standard from its mandatory effective date of 1 January 2019. The Group elected to apply the simplified transition approach and did not restate comparative amounts for the year prior to first adoption.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. Right-of-use assets for leases were measured at the amount equal to the lease liabilities, and were included in “Property, Plant and Equipment” in the condensed consolidated statement of financial position. After the initial recognition of right-of-use assets and lease liabilities at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous accounting policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

The right-of-use assets and lease liabilities were recognised at 1 January 2019 and 30 June 2019 as follows:

	30 June 2019	1 January 2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Right-of-use assets	262,159	75,429
Lease liabilities	271,241	75,429

Prepaid lease payments for land of the Group amounting to HK\$547,004,000 and HK\$556,813,000 at 1 January 2019 and 30 June 2019 respectively were reclassified to right-of-use assets as included in “Property, plant and equipment” in the condensed consolidated financial statements upon the adoption of HKFRS 16.

The impact to the condensed consolidated income statement for the six months ended 30 June 2019 upon the adoption of HKFRS 16 is insignificant.

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

Conceptual Framework for Financial Reporting 2018 ¹	
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹
Amendments to HKFRS 3	<i>Definition of Business</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²

¹ *Effective for annual periods beginning on or after 1 January 2020*

² *The mandatory effective date will be determined*

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

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 resources allocation and performance assessment. The Group’s operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property development	- sales from property development activities
Property investment	- property rentals
Other operations	- revenue from hotel operation 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.

Six months ended 30 June 2019 - unaudited

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Revenue from contracts with customers				
- Recognised at a point in time	80,084,755	-	-	80,084,755
- Recognised over time	10,732,310	-	440,496	11,172,806
	<u>90,817,065</u>	<u>-</u>	<u>440,496</u>	<u>91,257,561</u>
Revenue from other sources				
- Rental income	-	2,117,910	-	2,117,910
Segment revenue - External	<u>90,817,065</u>	<u>2,117,910</u>	<u>440,496</u>	<u>93,375,471</u>
Segment profit (including share of profits of associates and joint ventures)	<u>31,438,848</u>	<u>6,884,207</u>	<u>12,550</u>	<u>38,335,605</u>

Six months ended 30 June 2018 - unaudited

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Revenue from contracts with customers				
- Recognised at a point in time	75,849,721	-	-	75,849,721
- Recognised over time	10,451,285	-	537,979	10,989,264
	<u>86,301,006</u>	<u>-</u>	<u>537,979</u>	<u>86,838,985</u>
Revenue from other sources				
- Rental income	-	1,761,769	-	1,761,769
Segment revenue - External	<u>86,301,006</u>	<u>1,761,769</u>	<u>537,979</u>	<u>88,600,754</u>
Segment profit (including share of profits of associates and joint ventures)	<u>30,645,385</u>	<u>6,688,532</u>	<u>36,540</u>	<u>37,370,457</u>

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 gains/(losses) recognised in the condensed consolidated income statement. This is the measure reported to the management of the Group for the purposes of resources allocation and performance assessment.

	Six months ended 30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Unaudited)</i>
Reportable segment profits	38,335,605	37,370,457
Unallocated items:		
Interest income on bank deposits	745,023	673,650
Corporate expenses	(290,741)	(185,985)
Finance costs	(475,819)	(690,294)
Net foreign exchange gains/(losses) credited/(charged) to the condensed consolidated income statement	<u>74,163</u>	<u>(23,757)</u>
Consolidated profit before tax	<u>38,388,231</u>	<u>37,144,071</u>

4. Finance costs

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings and notes payable	4,360,433	4,115,848
Interest on amounts due to non-controlling shareholders	324,930	-
Interest on lease liabilities and other finance costs	119,942	53,528
Total finance costs	4,805,305	4,169,376
Less: Amount capitalised	(4,329,486)	(3,479,082)
	<u>475,819</u>	<u>690,294</u>

5. Income tax expenses

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Corporate Income Tax ("CIT")	7,134,033	5,975,579
PRC Land Appreciation Tax ("LAT")	5,566,847	5,114,387
PRC withholding income tax	177,236	9,763
Hong Kong profits tax	33,049	128,175
Macau income tax	18,123	193,282
Others	1,181	2,360
	<u>12,930,469</u>	<u>11,423,546</u>
Under-provision in prior periods:		
Hong Kong profits tax	86	50
	<u>86</u>	<u>50</u>
Deferred tax:		
Current period	1,207	1,465,073
Total	<u>12,931,762</u>	<u>12,888,669</u>

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% (2018: 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% (2018: 16.5%) of the estimated assessable profit for the period.

Macau income tax is calculated at the prevailing tax rate of 12% (2018: 12%) in Macau.

8. 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:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables, aged		
0–30 days	7,666,085	5,973,972
31–90 days	836,345	778,659
Over 90 days	940,777	718,485
	<hr/>	<hr/>
	9,443,207	7,471,116
Other receivables	3,564,318	3,653,692
	<hr/>	<hr/>
	13,007,525	11,124,808

9. Trade and other payables

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables, aged		
0–30 days	18,637,929	17,871,619
31–90 days	4,598,277	3,273,273
Over 90 days	19,457,312	20,768,075
	<hr/>	<hr/>
	42,693,518	41,912,967
Other payables	10,418,679	10,459,363
Retentions payable	12,136,922	11,067,930
	<hr/>	<hr/>
	65,249,119	63,440,260

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

CHAIRMAN'S STATEMENT

I have pleasure to report to the shareholders the unaudited revenue of the Group for the six months ended 30 June 2019 was HK\$93.38 billion; operating profit was HK\$36.61 billion; profit attributable to equity shareholders of the Company increased by 7.4% to HK\$24.94 billion; the net profit margin was 26.7%; the core net profit, after deducting HK\$3.95 billion in net gains after tax arising from changes in fair value of investment properties, amounted to HK\$20.99 billion, representing an increase of 9.5% compared to the corresponding period last year; basic earnings per share was HK\$2.28; shareholders' funds increased to HK\$302.39 billion; net assets per share was HK\$27.60; and half-year return on shareholders' funds was 8.5%. The Board proposed an interim dividend of HK45 cents per share.

During the period, contracted property sales of the Group together with its joint ventures and associates (collectively the "Group Series of Companies") were HK\$194.20 billion, an increase of 28.7%. The average selling price of residential units reached HK\$21,066/sq m, an increase of 18.3%, with profitability maintained at a leading level. The commercial properties held and put into operation realised operating income of HK\$2.35 billion. The Group continues to be optimistic about the Hong Kong market. During the period, the Group, in conjunction with fellow developers including Wheelock, Henderson and New World, acquired two sites in Kai Tak, Hong Kong, which strengthened the Group's advantage in the supply of private residential properties in the Kai Tak district. During the period, the Group expanded into Shijiazhuang and Guiyang and accumulated a total of 24 new plots for its land reserve. The total land premium was HK\$75.18 billion, with attributable interest of HK\$57.41 billion, representing a total gross floor area ("GFA") of 4.64 million sq m (attributable interest of 4.42 million sq m). At 30 June 2019, the Group Series of Companies had a total land reserve of 91.75 million sq m.

The Group maintained the first-class 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 4.28%, among the lowest level in the industry. The Group has ample cash and is financially healthy, with bank balances and cash amounted to HK\$112.04 billion at 30 June 2019 and net gearing of 35.0% which was among the lowest level in the industry.

The world today is undergoing tumultuous changes as global political and economic patterns enter a period of high uncertainty and the cycle of global economic fluctuations becomes ever shorter. Coupled with the impact of the Sino-US trade war, downward pressure on China's economy has increased, forcing the country's domestic economic policies to undergo more frequent pre-adjustments and fine-tuning. The Group believes that with the strong resilience of the China's economy and the presence of strong endogenous growth drivers, economic growth will remain within a reasonable range. The Group will respond to uncertainties in the external environment with a determined strategy, executed effectively. The Group believes that in the current policy environment, the long-term healthy development of the real estate industry will be encouraged, and the Mainland real estate market will maintain steady development in the second half of the year. The Group is confident of realising faster-than-average growth to consistently and efficiently return to our shareholders during the year.

Successful corporations are products of their times; they grasp the historical opportunities bestowed on them in their moment and advance accordingly. The Group was founded in Hong Kong in 1979 and was associated with the reform and opening up of mainland China. It witnessed and participated in Hong Kong's economic take-off as one of the "Four Asian Dragons", witnessed and participated in

the great economic upsurge of the Mainland after the reform and opening up, and steadily expanded to become a market-leading real estate enterprise in China. The Group will draw on its 40 years of experience to advance effectively over the next 40 years, committed to improving quality of life and generating long-term and stable shareholder returns. Corporations committed to long-term sustainable development need professionalism and dedication to provide enduring sustainable development for today, tomorrow and the day after tomorrow. After 40 years of development, encompassing multiple economic cycles, the Group will stay on its course and is ever more focused on the development goal of becoming an Exceptional Global Property Development Corporation. In line with the development trend of the major business cycle, the Group has established three levels of business for today, tomorrow and the day after tomorrow. With feet firmly grounded in the present, the Group invests about 90% of its resources in residential development, maintain its development positioning that targets major cities, mainstream areas and mainstream products, strategically focuses on first- and second-tier cities with greater economic and population growth potential, to achieve continuous increases in scale and profitability. With its eye on medium-term sustainable development, the Group leverages the 45 office buildings, 13 shopping malls, and 12 star-rated hotels currently operated by the Group Series of Companies, and allocates 7-8% of resources to reaching its milestone of generating total operating revenue of over HK\$10 billion from commercial properties at the end of the current five-year period and gradually improving the Group's ability to withstand cyclical fluctuations. As a business set for the long-term, the Group will focus on improved quality of life. The Group deploys 1-2% of resources to strategically exploring new profit growth points in areas such as education, senior living, logistics and public utilities.

To corporations, business means business and they operate on their unique principles. The Group insists on being a company of "Four Excellences", which are: "good products, good services, good effectiveness, good citizenship". In line with the cyclical transition of growth from high-speed to steady in China's real estate industry, the Group is especially determined to strengthen its competitive advantage with delicacy management, and fortify the economic moat through digitally managed real estate development life cycles, firmly laying the foundation for a strong enterprise operation. Customer needs are increasingly diversified and the Group has established the "CRAFT" system, which categorises customer needs into five categories and ten types and matches them with innovative product offerings. The Group also continuously improves its customer-oriented service system, and has established in COLI a system of advanced construction technologies and engineering management with the spirit of China Construction at its core. The contract and cost control system custom-designed for COLI has been continuously improved, strengthening the Group's cost competitive advantage. The Group has established a digital management platform that runs through the whole life cycle of real estate development, encompassing more than 60 information management systems including city maps, omnipresent project management plans, supply-marketing-inventory systems, three-tier customer inventory, flexible cost management and CRM, to realise accurate quantitative management of various factors and check-points such as investment, customer research, design, construction, schedules, cost, price, sales and delivery for each project. The Group proactively promotes green buildings, adopting environmentally friendly and energy-saving new materials and new technologies. The Group also continues to conduct a series of corporate citizenship initiatives including poverty alleviation, disaster relief, and public welfare.

Assertiveness in stability is the Group's most enduring trait, amidst the turning tides of the market. The Group emphasises internal talent training and recruits talented individuals from across the country. The Group adheres to a disciplined investment strategy and a sound financial strategy, continuously enhancing its ability to manage uncertainty, and actively embracing and taking advantage of change, to ensure that it can keep pace with the times for the coming 40 years.

Last but not least, on the occasion of the Group's 40th anniversary, let me pay tribute to all the leadership members throughout the past four decades, who have helped China Overseas grow from a sapling to the sturdy tree it is today, and every colleague who has worked hard for China Overseas' 40 years of glory, I would like to express my heartfelt gratitude to the shareholders and business partners for their steadfast trust in the Group and support for its development.

China Overseas Land & Investment Limited

Yan Jianguo

Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

Overall Performance

During the period, the revenue of the Group increased to HK\$93.38 billion (corresponding period in 2018: HK\$88.60 billion), representing an increase of 5.4% as compared to the corresponding period in last year. The operating profit was HK\$36.61 billion (corresponding period in 2018: HK\$35.75 billion), representing an increase of 2.4%. The gross profit margin was 34.9% and the net profit margin reached 26.7%, maintaining at industry-leading level. The ratio of selling and distribution costs and administrative expenses to revenue was 3.1%, which remained one of the lowest in the industry. Profit attributable to equity shareholders of the Company amounted to HK\$24.94 billion (corresponding period in 2018: HK\$23.22 billion), representing an increase of 7.4%. The half-year return on shareholders' funds was 8.5%. Basic earnings per share was HK\$2.28 (corresponding period in 2018: HK\$2.12), an increase of 7.4%.

At 30 June 2019, the equity attributable to shareholders of the Company was HK\$302.39 billion (31 December 2018: HK\$283.48 billion), an increase of 6.7% as compared to last year end, while the net assets per share was HK\$27.60 (31 December 2018: HK\$25.87). At the end of June, the Group's financial position was good with ample cash resources of HK\$112.04 billion and net gearing of 35.0%.

Property Development

During the period, the Group's revenue from property development was HK\$90.82 billion (corresponding period in 2018: HK\$86.30 billion), mainly related to sales of property projects including Paramount Jade in Jinan, Glory City and The One Manor in Chengdu, One Blossom Cove in Guangzhou, Pinnacle Mansion in Suzhou, Rose Garden in Nanchang, Glory Mansion and The Metro Mansion in Foshan, and Shenzhou Peninsula in Hainan.

Segment profit (including the Group's share of profits of associates and joint ventures) amounted to HK\$31.44 billion (corresponding period in 2018: HK\$30.65 billion), an increase of 2.6% as compared to the corresponding period in last year.

During the period, the Group Series of Companies (excluding China Overseas Grand Oceans Group Limited ("COGO")) completed 52 projects with a total area of 6.85 million sq m in 23 cities in mainland China.

The table below shows the area of projects completed by region in the first half of 2019:

City	Total Area (’000 sq m)
Hua Nan Region	
Guangzhou	418
Foshan	264
Fuzhou	195
Changsha	121
Xiamen	107
Hainan	73
Shenzhen	9
Sub-total	1,187
Hua Dong Region	
Suzhou	748
Nanchang	528
Ningbo	256
Nanjing	95
Sub-total	1,627
Hua Bei Region	
Jinan	880
Beijing	360
Wuhan	78
Tianjin	77
Sub-total	1,395
Northern Region	
Shenyang	418
Changchun	224
Yantai	193
Sub-total	835
Western Region	
Chengdu	946
Xi’an	445
Chongqing	346
Kunming	64
Xinjiang	7
Sub-total	1,808
Total	6,852

During the period, the Group acquired 24 land parcels in 18 cities in mainland China and Hong Kong, adding a total GFA of 4.64 million sq m to the land reserve (attributable interest of 4.42 million sq m). The total land premium was HK\$75.18 billion (attributable interest of HK\$57.41 billion).

The table below shows the details of land parcels added in the first half of 2019:

City	Name of Development Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
Shanghai	Putuo District Project	100%	31	121
Taiyuan	Wanbailin District Project	100%	45	220
Beijing	Daxing District Project	100%	79	273
Shenyang	Shenbei New District Project	100%	125	418
Shijiazhuang	Zhengding New District Project	100%	50	137
Foshan	Shunde District Project	100%	76	231
Dalian	Ganjingzi District Project #1	100%	82	201
Hong Kong	Kai Tak Project #1	30%	10	67
Guangzhou	Liwan District Project	100%	12	79
Guangzhou	Panyu District Project	100%	29	123
Dongguan	Wanjiang District Project	100%	26	123
Xiamen	Jimei District Project	100%	45	184
Shenyang	Heping District Project	100%	3	7
Hangzhou	Xiacheng District Project	100%	25	97
Suzhou	Industrial Park District Project	100%	78	185
Ningbo	Haishu District Project	100%	71	234
Hong Kong	Kai Tak Project #2	18%	10	108
Shenyang	Hunnan District Project	100%	72	203
Dalian	Ganjingzi District Project #2	100%	48	84
Guiyang	Guanshanhu District Project	100%	185	618
Harbin	Daoli District Project	100%	42	167
Shenzhen	Guangming District Project	100%	46	238
Yantai	Fushan District Project	100%	90	293
Zhengzhou	Gaoxin District Project	65%	76	230
Total			1,356	4,641

At 30 June 2019, the Group Series of Companies (excluding COGO) had a total land reserve of 67.89 million sq m (attributable interest of 55.40 million sq m).

The major associate COGO acquired 14 parcels of land, adding a total area of 3.56 million sq m. At 30 June 2019, its total land reserve was 23.86 million sq m (attributable interest of 22.02 million sq m).

The total land reserve of the Group Series of Companies reached 91.75 million sq m.

During the period, the net profit contribution from joint ventures and associates amounted to HK\$2.25 billion. The major associate COGO recorded contracted property sales of HK\$28.63 billion, revenue of HK\$12.79 billion, and net profit of HK\$1.89 billion. The Group earned a net profit of HK\$700 million from COGO for the period.

Property Investment

Rental income from the Group's investment properties amounted to HK\$2.12 billion (corresponding period in 2018: HK\$1.76 billion), an increase of 20.5% as compared to the corresponding period last year. During the period, the Group committed to establishing a series of commercial brands, enhancing quality and efficiency. Meanwhile, the projects that commenced operations or were in pre-opening stage last year had begun running steadily, realising stable uptrend in rental income and occupancy rates.

Segment profit amounted to HK\$6.88 billion (corresponding period in 2018: HK\$6.69 billion), an increase of 2.8% as compared to the corresponding period last year, which includes the gain arising from changes in fair value of investment properties amounting to HK\$5.26 billion (net gain after deferred tax attributable to owners of the Company was HK\$3.95 billion).

Other Operations

During the period, revenue from other operations amounted to HK\$440 million (corresponding period in 2018: HK\$540 million), of which income from hotels and other commercial properties was HK\$230 million (corresponding period in 2018: HK\$270 million).

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. Interest cover (measured by the ratio of operating profit less interest income to the total finance costs) and the weighted average borrowing costs (total finance costs divided by the weighted average borrowings) of the Group were 7.9 times and 4.28% respectively, which believes to be at an outstanding level in the industry. In January, the Group signed a HK\$30 billion five-year club loan agreement with 20 local banks, which is the largest amount of financing arrangement in the Group's history in Hong Kong. In the same month, the Group successfully issued RMB3.5 billion corporate bond in mainland China. In addition, the Group arranged a number of onshore and offshore loans for refinancing and working capital purposes during the period.

During the period, the Group raised fund from onshore and offshore debt financing amounted to HK\$46.60 billion. Total repayment of matured debts amounted to HK\$24.34 billion. Sales proceeds collection increased to HK\$104.12 billion as compared to the corresponding period last year. Total

capital expenditure payments for the Group were HK\$93.48 billion (of which HK\$63.76 billion was spent on land premiums and HK\$27.40 billion was spent on construction-related expenditure). About HK\$23.32 billion was paid for taxes, selling and distribution costs, administrative expenses and financing expenses. At the end of June 2019, unpaid land premium of the Group was HK\$14.51 billion while bank borrowings and notes payable due to mature in the second half of the year amounted to HK\$19.42 billion.

In July, the Group established a medium-term note programme for the first time in Hong Kong and successfully issued a 5.5-year HK\$2.0 billion and a 10-year US\$450 million dual-currency fixed-rate senior notes, of which the US dollar note recorded the lowest interest rate among the 10-year notes in the Group's history.

At 30 June 2019, total bank and other borrowings and notes payable of the Group amounted to HK\$217.88 billion (31 December 2018: HK\$195.95 billion), of which 25.6% was denominated in Hong Kong dollars, 20.2% was denominated in US dollars, 49.2% was denominated in Renminbi, 4.1% was denominated in Euros and 0.9% was denominated in Pounds Sterling. The fixed-rate debts accounted for 44.3% of overall interest-bearing debts while the remaining were floating-rate debts.

At 30 June 2019, the Group's available funds amounted to HK\$143.80 billion comprising bank balances and cash amounting to HK\$112.04 billion (of which 15.5% was denominated in Hong Kong dollars, 0.3% was denominated in US dollars, 83.1% was denominated in Renminbi, 1.1% was denominated in Pounds Sterling and minimal amounts were denominated in other currencies) and unused banking facilities of HK\$31.76 billion.

During the period, amid increasing uncertainty about the global economy and the effects of the US-China trade conflict, the central parity rate of the Renminbi against the US dollar twisted and turned, including appreciation, meta-stability and depreciation. The Group offsets exchange rate risk through natural hedging and has not entered into any financial derivatives for either hedging or speculative purposes. Taking into account the factors such as the significant increase in exchange rate and interest rate fluctuations, the Group will prudently consider entering into currency and interest rate swap arrangements to minimise such exposures if and when appropriate. The Board considers that the Group's exposure to exchange rate and interest rate risks are relatively controllable.

Corporate Citizenship

“Serving the community” has always been the corporate philosophy and mission of the Group. The Group has always strived to fulfill its corporate social responsibilities with pragmatic, honest and positive attitude. The Group has achieved remarkable results in the area of environmental protection, educational subventions, poverty alleviation and charity.

During the period, the Group added 28 green building certification projects, covering GFA of 6.07 million sq m, while accumulatively delivered 229 green building-certified projects with a total GFA of 42.62 million sq m. In 2019, the Group's poverty alleviation programme called “Sea of Hope” was launched in three state poverty counties in Gansu Province, namely Kang county, Kangle county and Zhuoni county. Through product promotion, consumption promotion and education, the programme helped counties to establish produce brand “Longkang Old Tree Walnut”, design packaging and create for them online stores, and promote the product to the Group's millions of customers. During the period, the Group was awarded the honor “China's Top 10 Exemplary Real Estate Enterprises for Poverty Alleviation 2018”.

Human Resources

The Group always regards talent strategy as one of the most important strategies and human resources as its most precious resources. At the end of June, the Group had about 6,200 employees. During the period, the staff costs of the Group were HK\$1.44 billion. Guided by the key annual tasks, the Group optimised the three-tier KPI structure to cover all employees during the period. The Group also launched a MAPS structure that distinguishes position, job and level to support the career path development of employees.

During the first half in 2019, the Group has initiated new measures on employee capability development and perception of training atmosphere. The Group has provided three series of training programmes, namely “Premier Public Courses”, “Golden Lectures” and “Marquees”. These programmes benefit our staff’s development by creating a stimulating atmosphere for training and broadening their management and business horizons.

To meet the need for talented employees in this innovation-driven business, “Stars of the Seas”, “Sons of the Sea”, and “Sea’s Recruits” are the Group’s recruitment brand trio, as the Group continues to expand its recruitment channels, offering high-quality human resources to support its rapid business development. Employee satisfaction is a focal annual effort for the Group. The workforce is stable, employee satisfaction scores continue to go up.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared the payment of an interim dividend of HK45 cents per share (2018: HK40 cents per share) for the six months ended 30 June 2019. The interim dividend will be payable in cash.

Relevant Dates for Interim Dividend Payment

Ex-dividend date	17 September 2019
Latest time to lodge transfer documents for registration with the Company’s registrar and transfer office	At 4:30 p.m. on 18 September 2019
Closure of Register of Members	19 September 2019
Record date	19 September 2019
Despatch of dividend warrants	4 October 2019

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

PURCHASE, SALE OR REDEMPTION OF THE GROUP’S LISTED SECURITIES

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group’s listed securities during the six months ended 30 June 2019 and up to the date of this announcement.

On 15 January 2019, CITIC Real Estate Group Company Limited*, a wholly-owned subsidiary of the Company, partially redeemed its RMB1.0 billion 4.40 per cent. private corporate bonds due January 2021 with sell-back option at par. The redeemed private corporate bonds were listed on the Shanghai Stock Exchange. The total sell-back amount of the redemption is RMB600 million.

On 24 January 2019, China Overseas Property Group Co., Ltd., a wholly-owned subsidiary of the Company, issued corporate bonds with a total principal amount of RMB3.5 billion, of which bonds of RMB2.0 billion bear an interest rate of 3.47 per cent. and the remaining bonds of RMB1.5 billion bear an interest rate of 3.75 per cent. due January 2025 and January 2026 respectively. The corporate bonds are listed on the Shenzhen Stock Exchange.

On 8 May 2019 (i.e. maturity date of the guaranteed notes), China Overseas Finance (Cayman) VI Limited, a wholly-owned subsidiary of the Company, redeemed US\$800 million 4.25 per cent. guaranteed notes due 2019 in whole at par. The guaranteed notes were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

On 15 July 2019 (i.e. maturity date of the guaranteed notes), China Overseas Land International (Cayman) Limited, a wholly-owned subsidiary of the Company, redeemed EUR600 million 1.75 per cent. guaranteed notes due 2019 in whole at par. The guaranteed notes were listed on the Irish Stock Exchange plc and the Stock Exchange. On the same day, China Overseas Finance (Cayman) VIII Limited, a wholly-owned subsidiary of the Company, issued HK\$2.0 billion 2.90 per cent. guaranteed notes due January 2025 and US\$450 million 3.45 per cent. guaranteed notes due July 2029 under its US\$2.5 billion medium term note programme established on 8 July 2019. The guaranteed notes are listed on the Stock Exchange.

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 six months ended 30 June 2019 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 (the “**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 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 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.

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 (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Having made specific inquiries to all directors of the Company, they confirmed that they have complied with the Model Code and the Code of Conduct throughout the six months ended 30 June 2019.

REVIEW OF INTERIM REPORT BY AUDIT AND RISK MANAGEMENT COMMITTEE

The Company's Audit and Risk Management Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2019, and discussed with the Company's management regarding risk management, internal control and other important matters.

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

Hong Kong, 22 August 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 interim 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 2019 Interim Report will also be available at the aforementioned websites and will be despatched to shareholders of the Company thereafter in due course.