中海物業集團有限公司
CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

Stock Code 股份代號：2669

拓展幸福空間　服務美好生活

Creating More Beautiful Spaces to Embrace a Better Life

2019
Interim Report
中期報告

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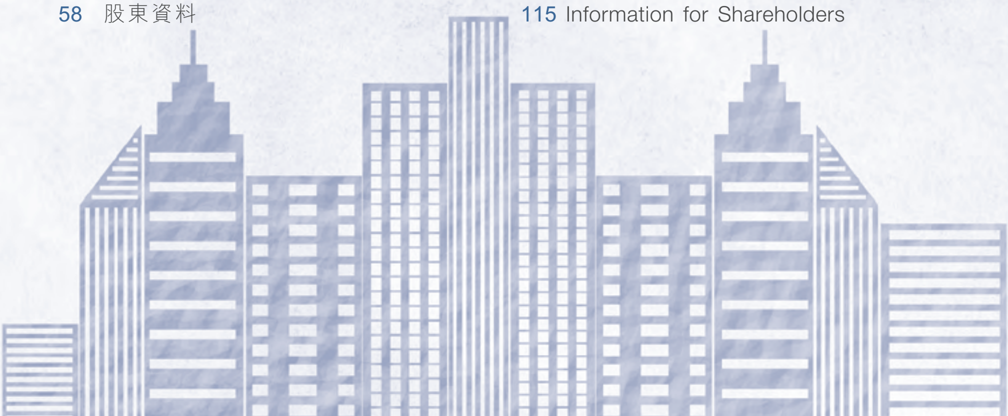

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman And Non-executive Director
Yan Jianguo *(Chairman)*

Executive Directors
Yang Ou *(Chief Executive Officer)*
Pang Jinying
Kam Yuk Fai

Independent Non-executive Directors
Yung, Wing Ki Samuel
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

COMMITTEES

Audit Committee
Yung, Wing Ki Samuel *(Chairman)*
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

Nomination Committee
Yan Jianguo *(Chairman)*
Yung, Wing Ki Samuel
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

Remuneration Committee
So, Gregory Kam Leung *(Chairman)*
Yan Jianguo
Yung, Wing Ki Samuel
Lim, Wan Fung Bernard Vincent

AUTHORISED REPRESENTATIVES
Yan Jianguo
Yang Ou
Pang Jinying *(alternate to Yan Jianguo)*
Kam Yuk Fai *(alternate to Yang Ou)*

COMPANY SECRETARY
Sin Lai Lan

INDEPENDENT AUDITOR
PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE
Cricket Square, Hutchins Drive,
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Telephone: (852) 2823 7088
Facsimile: (852) 3102 0683
Website: www.copl.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

LEGAL ADVISORS

As to Hong Kong laws:

Mayer Brown JSM
Woo Kwan Lee & Lo

As to Cayman Islands laws:

Conyers Dill & Pearman

PRINCIPAL BANKERS

(In Alphabetical Order)

Bank of Communications Co., Ltd., Hong Kong Branch
China Construction Bank Corporation
DBS Bank Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

INVESTOR AND PUBLIC RELATIONS

Corporate Communications Department

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STOCK CODES

The Stock Exchange of Hong Kong*	2669
Bloomberg	2669:HK
Reuters	2669.HK

* Currently one of the eligible securities for Southbound Trading under the Shenzhen-Hong Kong Stock Connect

FINANCIAL CALENDAR 2019

Interim Results Announcement	21 August
Interim Dividend Ex-dividend Date	16 September
Interim Dividend Entitlement Record Date	19 September
Interim Dividend Payment Date	4 October

CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019. The six-month turnover of the Group increased by 25.9% to HK$2,400.4 million from the turnover of HK$1,906.9 million for the corresponding period last year. Operating profit rose by 11.9% to HK$353.2 million. The profit attributable to owners of the Company increased by 12.5% to HK$248.5 million. Basic and diluted earnings per share was HK7.56 cents (2018: HK6.72 cents). Average return on equity was 41.1% (2018: 46.7%). After taking into account the dividend policy of the Group, business results for the period and future business development plans, the Board declared an interim dividend of HK2.2 cents per share (2018: HK2.0 cents) for the six months ended 30 June 2019.

In 2019, the Group formulated an overall development strategy featuring "one base, two wings and four drivers", with basic property services as the core foundation, quality management and operating scale as the pair of wings, plus UN+, Xinghai Wulian, asset management, and investment and merger and acquisition as the four turbine engines. It aims to achieve a full spectrum and sustainable "space service", provide consistent motivation for the pursuit of satisfaction from shareholders, customers, staff and society, and pave the way for a comprehensive market-driven development. The Group wishes that, by continuously improving customer satisfaction and enlarging the scale of operations to shore up the weak link of basic property management services, while utilizing the Internet of Things ("IoT") platform and mobile internet platform as marketing channels, it would increase the proportion of non-core service revenues to turnover. In the first half of the year, the Group secured additional or renewed property management contracts of approximately HK$359.1 million. By the end of June, the total gross floor area of the properties under the Group's management increased by 7.9% or 10.5 million square meters to 142.2 million square meters as compared to the end of last corresponding period.

As always, the Group adheres to our service tenet of "customer first and service best", and is always faithful to our customers with the service promise of "Property Assets to be Entrusted", while sticking to our purpose and moving forward through adversities and challenges. In the past six months, we focused on our target of being customer-oriented and enhancing customer satisfaction, while actively improved service product design, complaint management and customer service team building. Through concerted research efforts of independent third parties, such as "customer satisfaction survey" and "mystery customer's inspection", we established a mechanism to deal with a verification check-list for issues and invited customers to participate in the establishment of a multi-dimensional, open and transparent surveillance, by conducting customer interviews, on-site visits, engaging quality inspectors, establishing an instant evaluation mechanism for inhabitants in the living zones, and initiating community activities, etc. According to the research findings by the independent third parties for the first half of the year, customers' satisfaction towards the Group remained at a high level within the industry.

The world is encountering a once-in-a-century transformation, with the global economy entering a stage of great uncertainty. Given a shorter volatile global economic cycle, coupled with the impacts of the Sino-US trade war, the downward pressure faced by the Chinese economy intensifies, the pre-adjustment and fine-tuning of domestic economic policies becomes more frequent. The Group believes that as long as the central government continues to promote economic structure transformation, upgrade and maintain the strategy of high-quality development, with the great tenacity and endogenous growth momentum of Chinese economy, its economic growth should remain in a reasonable range. The Group will cope with the uncertainties in the external environment with its determined strategies and effective execution. Adhering to the principle of "houses are built for residing, not speculation", a long-term management mechanism for real estate, instead of taking real estate as a short-term economic stimulus measure, will foster the implementation of "targeted policies for different cities" and "one city, one policy", which will facilitate the long-term healthy development of the real estate sector. In a new era, on a new journey, reforms shall not be hindered, opening ups shall not be halted. China's economy is tenacious enough to cope with the pressure and challenges of global economic, trade, technological and financial restructuring. China's real estate market is on its way to the vertex of the parabola. Corporates committed to long term sustainable development must be professional and concentrated, and strategize for the sustainability of today, tomorrow and beyond.

The property management industry has also faced multiple challenges now. Firstly, the industry concentration has been increasing with a growth momentum in China's property management industry for a long time. Stepping into 2019, the market share, average size and management area of leading property companies has peaked. Secondly, labour costs has been ever increasing while rising wage level in recent years has led to upward pressure on overall labour costs and outsourcing costs in the industry. Thirdly, diversified layout has become an important competition arena. The segmentation trend of specialization, refinement and sophistication in residential, commercial, public, industrial, school, hospital and other sub-sectors are increasingly prevalent. The entry barriers to new players in niches of the industry are gradually forming, in terms of higher threshold and difficulty.

Meanwhile, the new generation information technology brings new development opportunities to the property management industry. New generation information technology centering around the IoT, cloud computing, big data, artificial intelligence (AI) and 5G will comprehensively enhance property management on various information of the cities in terms of the abilities of perception, analysis and processing to provide more focused new services and new models, which facilitate gradual transformation of property service model from intensive labor output to focused modern service mode.

In view of the current challenges and opportunities, the Group will leverage our strong brand and leading position in the market gained by more than thirty years of efforts and hard work and set forth the following strategies with a view to bolstering our confidence and moving forward in order to maintain our market leading position:

1. Proactively expand, realizing rapid growth of size and efficiency

According to the Group's new "Thirteenth Five-Year" strategic plan, we will actively commence market expansion and enlarge operating scale by way of securing external and joint venture projects as well as through mergers and acquisitions, with a view to maintaining the Group's size advantage. However, the Group will not blindly pursue size or scales without cost consideration. Instead, we will adhere to a strategy that emphasizes prudent and moderate progress. The Group will insist on focusing on projects that are high-quality and highly cost-effective.

2. Enhance service quality to improve and set industry benchmark for customer satisfaction

The Group always regards quality control as our key corporate competitive advantage and has made continuous efforts in establishing a service value creation system driven by customer and oriented by customer satisfaction. Satisfied customers are the strategic resources of a property company. Providing quality services to customers is the cornerstone of the property management industry, as well as a prerequisite for extracting customer resources. It is imperative to maintain our strategic endurance, focus our attention and fully committing ourselves to providing quality services for our customers. The Group will continue to strengthen our foundation, forge ahead towards the industry benchmark and set a higher standard. We will create China Overseas Property brand image as a high-quality service provider and enhance the influence of the brand.

3. Make inroads into asset management from basic property management

The Group has established the commercial property management unit (海納萬商物業管理有限公司) to achieve vertical, horizontal and intensified management of commercial projects in the PRC and build our commercial property brand "海納萬商" in a professional manner. Backed by the high-end business resources of our parent company, we are well-positioned to capitalise on the good relationship between the government and the business sector as a state-owned enterprise. By actively undertaking various governmental and public construction projects, we push back the frontiers of our management and strive to develop as a top brand of services for commercial and government buildings. With the ever-increasing amount of assets under management, we cooperate with asset management institutions in various areas of investment, financing, management and disinvestment of real estate in order to effectively utilise existing inventories and maximise the value of clients' assets.

4. Steadily develop value-added business and form new profit growth

While continuing to expand its property management size and basis increment, the Group will also increase investment in the value-added business and steadily advance the development of the value-added business. The Group will identify business types with bright market prospects, and focus on businesses with sufficient resource support to satisfy various aspects of customers' daily consumption needs, including clothing, food, housing, transportation, medical care, education, elderly care and entertainment. By developing signature products in the value-added business, we will build our unique product portfolio with core market competitiveness, which could serve as a new impetus for the Group's future business development.

5. Utilize new technology and informationalised means to enhance quality and raise effectiveness

The Group strives to keep up with the trends in technology by utilizing the IoT and AI technology to self-develop and build IoT operation platform and continue to develop smart communities. With technologies of the Internet, we have established online and offline channels for owners to connect with property companies, neighbours and various kinds of service resources, shaping a digital life for the owners. We utilize intelligent energy technologies to change the energy consumption mode in our projects to minimize energy consumption and costs and protect our ecological environment. We enhance the effectiveness of our business management and communication and implement quantitative controllable initiatives with the aid of informationalised means, which indirectly contributes to the reduction of our operating expenses. The achievements in the research and development of the Group have laid a solid technological foundation for the construction of informationalised development and the output of enhanced services of the enterprise.

6. Strong assurance of human resources for the long-term development of the Group

We play an active role in constructing and continuously optimising and improving our system for selection, deployment, cultivation and retention of talents, enabling the Group to unceasingly supplement our workforce with outstanding talents and nurture them in support of the long-term healthy development of our business. With regard to recruitment, the Group has been strengthening the brand-building effort from the employer's side. We actively attract talents, for instance, through our management trainee programme, recruitment of talents from the community and head-hunting programme for top-notch talents. We also recruit veterans under the military-business collaboration, which not only addresses social issues but also fulfils the need to enhance the quality of our personnel. On top of that, our cultivation of property management elite is achieved through school-enterprise cooperative models such as education programmes jointly offered by schools and enterprises in Xiongan and "China Overseas' Class", a customised course offered by professional institutions. In terms of nurturing talents, the Group has built a multi-level and multi-faceted talent cultivation system. From the beginner programme for identifying potential talents, the training programme for developing our staff echelon, the career enhancement programme for our reserve talents as well as the leadership programme for the senior management, to a professional system for developing high-calibre staff in their specialised field, a cultivation system addressing the full lifecycle of our employees' careers has been designed to drive them to achieve career advancements.

7. Fulfilling social responsibilities

The Group has profound understanding of its own social responsibilities, endeavouring to meet the expectations from the society and actively participating in community welfare initiatives. The Group travelled 3,000 kilometres to institute local poverty alleviation initiatives in Kang Le County, Kang County and Zhuo Ni County, Gansu Province. We recruited ten poor migrant workers through job fairs and conducted in-depth exchange with local enterprises in relation to intensive processing, packaging and sales of agricultural products. As a start, we had established support for more than twenty types of product and purchased special agricultural products amounting to more than RMB350,000 from the impoverished region, delivering a message of love and gratitude to contribute to the society. In 2019, the Group continued to organise a major charity event called "Green Together • Green Carnival", joining hands with the property owners in carrying out a series of green initiatives under "Strive for Green China Overseas". We have proactively worked with governmental charitable organizations, volunteers associations, disabled person's federations, centers for intellectual disability, hope primary schools to host volunteer activities such as "Greenman of China Overseas", "Garbage Classification Seminar", "China Overseas Flower Shop", "Care for Children with Autism". Besides, we have also donated textbooks to a number of schools and clothing to charitable organizations. We will continue to fulfill our social responsibility by taking the lead in joining hands with the property owners in building a green life and creating a green future.

Looking forward, we believe that the industry has ushered in a historical opportunity of vigorous development. Ten central enterprises, including the Group's controlling shareholder, China State Construction Engineering Corporation, have been identified by the State-owned Assets Supervision and Administration Commission of the State Council to develop as world-class model enterprises, which will bring more development opportunities to the Group.

Finally, I would like to take this opportunity to express sincere appreciation to my fellow directors and our entire staff for their efforts and our business partners and shareholders for their longstanding support.

Yan Jianguo

Chairman and Non-executive Director

Hong Kong, 21 August 2019

BUSINESS REVIEW

Revenue and Operating Results

The Group is one of the leading property management companies in the People's Republic of China ("PRC"), with operations covering Hong Kong and Macau, which strives to preserve and add value to the properties under our management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. As at 30 June 2019, the GFA under our management increased by 7.9% to 142.2 million sq.m. from the end of last corresponding period. This continuously strengthened our revenue base and improved our market competitive position.

Total revenue increased by 25.9% to HK$2,400.4 million for the six months ended 30 June 2019, comparing to HK$1,906.9 million in the last period, which mainly arisen from (i) increase in our property management services revenue in line with the increasing GFA under our management; and (ii) business growth mainly from value-added services to both non-residents and residents. These upsides were however partly offset by the effect of average depreciation of Renminbi against Hong Kong dollar during the past twelve months.

Striving to improve our services quality and enhance customers' satisfaction continuously, as mentioned in the last annual report, the Group increased the deployment of direct project-level management personnel. We also started to tap into niched markets such as high end commercial properties, facilities management for institutional clients, as well as strategic cooperations with regional private developers. Business development activities were expanded with full wing. Meanwhile, the Group also realigned the human resources structure, to assign certain back office supporting staff to the front line projects to beef-up management capabilities. Accordingly, direct operating expenses increased relatively faster by 39.1%, to HK$1,917.2 million for the period from HK$1,378.5 million in 2018, and gross profit decreased by 8.5% to HK$483.2 million in 2019 (2018: HK$528.3 million).

Other income and gains, net was HK$23.0 million for the period (2018: HK$24.0 million), mainly represented by interest income and unconditional government grants of HK$16.5 million and HK$6.9 million respectively (2018: HK$19.6 million and HK$3.7 million respectively). Reduction in interest income was mainly due to the development of car parking spaces trading business since the second half of last year, which brought much better return than interest income. On the other hand, the increase in unconditional government grants was mainly attributable to additional income from value-added taxes beneficial policy amounting to HK$3.5 million (2018: Nil) for the period.

BUSINESS REVIEW *(continued)*

Revenue and Operating Results *(continued)*

Fair value losses on investment properties for the period was minimal, at HK$0.3 million (2018: fair value gains of HK$3.6 million).

After deducting selling and administrative expenses of HK$141.3 million (2018: HK$222.9 million (restated)) and separately disclosed net impairment of trade receivables and payments on behalf of property owners for properties of HK$11.4 million for the period (2018: HK$17.4 million), operating profit increased by 11.9% to HK$353.2 million for the period (2018: HK$315.7 million). The decrease in selling and administrative expenses was mainly arisen from saving on realignment of the human resources structure mentioned above. The decrease in net impairment of trade receivables and payments on behalf of property owners for properties was mainly arisen from the continuously strengthening of the controls and recovery of receivables and advances.

Overall, profit attributable to owners of the Company for the six months ended 30 June 2019 increased by 12.5% to HK$248.5 million against the last corresponding period (2018: HK$220.8 million).

SEGMENT INFORMATION

For better reflection of the detailed revenue structure and performance measurement, as well as enhance the comparability with peers, value-added services would be more broadly defined as value-added services to non-residents (for property developers and other property management companies) and residents (for residents of the properties). Accordingly, revenue from pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring provided to property developers and other property management companies, as well as advertisement income from common areas of HK$209.8 million and HK$48.6 million respectively (2018: HK$148.0 million and HK$50.1 million respectively), were reallocated to value-added services segment in 2019 from property management services segment. The segment information in 2018 was restated accordingly.

In addition, we engaged in car parking spaces trading business since second half of 2018 and believed that such business would create ease and value to our residents of the properties under management, is lucrative and therefore would continue to expand it. This new business segment "car parking spaces trading business" is separately disclosed since the six months ended 30 June 2019 and the comparative figures of segment assets and liabilities were restated accordingly.

SEGMENT INFORMATION *(continued)*

Property Management Services

Revenue from property management services constituted 80.8% of total revenue for the six months ended 30 June 2019 (2018: 82.5% (restated)), and increased by 23.1% from last period to HK$1,937.8 million (2018: HK$1,573.6 million (restated)). During the six months ended 30 June 2019, we increased our total GFA under management to 142.2 million sq.m. that was 7.9% more comparing with the end of last corresponding period (2018: 131.7 million sq.m.).

For the six months ended 30 June 2019, approximately 92.9% and 7.1% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2018: 91.9% (restated) and 8.1% (restated) respectively).

The segment gross profit margin decreased to 16.8% for the period (2018: 25.8% (restated)) mainly due to (i) increase in direct deployment of project-level management personnel, as well as increase in business development activities to expand into niched market segments; and (ii) realignment of the human resources structure, to assign certain back office supporting staff to the front line projects to beef-up the management capabilities. Accordingly, the gross profit of our property management services segment decreased by 19.7% to HK$325.7 million for the six months ended 30 June 2019 (2018: HK$405.8 million (restated)).

By the same token, the realignment of internal back office supporting staff to front line also help us to alleviate certain segment administrative expenses. Accordingly, after deducting the reduced administrative expenses and taking into accounts the other income, the segment profit of the property management services still increased by 11.1% to HK$248.1 million for the current period (2018: HK$223.4 million (restated)).

SEGMENT INFORMATION *(continued)*

Value-Added Services

As mentioned above, value-added services would be more broadly defined as (i) value-added services to non-residents (for property developers and other property management companies), including engineering, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc.; and (ii) value-added services to residents, represented community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties), living service operations (to meet the various needs of residents of the properties) and commercial service operations (to meet the needs of business users). Accordingly, revenue from pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring provided to property developers and other property management companies, as well as advertisement income from common areas of HK$209.8 million and HK$48.6 million respectively (2018: HK$148.0 million and HK$50.1 million respectively), were reallocated to value-added services segment in 2019 from property management services segment. The segment information in 2018 was restated accordingly.

High customers' satisfaction and recognition of our traditional property management services facilitates the promotion and expansion of our value-added services to property developers, other property management companies and residents of the properties under our management. Revenue from the value-added services segment constituted 19.0% of total revenue for the six months ended 30 June 2019 (2018: 17.5% (restated)), and increased by 37.2% to HK$457.1 million from last period (2018: HK$333.3 million (restated)), of which, sub-segment revenue from value-added services to non-residents (for property developers and other property management companies) and residents increased by 48.1% and 18.2% to HK$312.9 million and HK$144.2 million respectively (2018: HK$211.3 million (restated) and HK$122.0 million (restated) respectively).

The increase in non-residents sub-segment revenue was mainly arisen from (i) business growth in pre-delivery services; (ii) expansion of the intelligent building & construction and technical support for specific engineering business during the period; and (iii) substantial increase in consultancy services revenue.

SEGMENT INFORMATION *(continued)*

Value-Added Services *(continued)*

The increase in residents sub-segment revenue mainly arisen from increase in business volume of community asset management services. Both of the customers' recognition of our traditional property management services, and diversification of our product offerings and marketing channels through services offered with our online-to-offline platform facilitates the expansion of our services to residents of the properties under our management. We rely on a multi-businesses model to create greater profit margins, our services cover (i) community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties); (ii) living service operations (to meet the various needs of residents of the properties, including housing ecology, home improvement, new retail, home services, tourism and leisure, education and training, health care, automotive services, platform services, commercial office services, etc.); and (iii) commercial service operations (to meet the needs of business users).

In respect of the profitability, the gross profit margin of the value-added services segment for the period was 33.9% (2018: 36.8% (restated)), of which, (i) that of value-added services to non-residents sub-segment slightly dropped to 25.0% (2018: 28.3% (restated)) mainly due to the price competition from new projects upon the expansion of the intelligent building & construction and technical support for specific engineering business during the period; (ii) the gross profit margin of value-added services to residents sub-segment was relatively stable at 53.2% (2018: 51.5% (restated)).

Accordingly, driven by increasing revenue, the gross profit of value-added services increased by 26.6% to HK$155.1 million (2018: HK$122.6 million (restated)). Of which, (i) the gross profit of value-added services to non-residents sub-segment increased by 31.1% to HK$78.3 million (2018: HK$59.8 million (restated)); and (ii) the gross profit of value-added services to residents sub-segment increased by 22.3% to HK$76.8 million (2018: HK$62.8 million (restated)).

All in all, the segment profit from value-added services, having allowed for segment overhead (including IoT platform technology and intelligent hardware upgrade costs, promotional selling expenses on online-to-offline platform and development cost on other intelligence measures), increased by 20.0% against last period to HK$135.4 million (2018: HK$112.9 million (restated)).

SEGMENT INFORMATION *(continued)*

Car Parking Spaces Trading Business

Since the second half of 2018, we started the car parking spaces trading business and believed that this business would create ease and value to our residents of the properties under management, is lucrative and therefore would continue to expand it. The new business segment "car parking spaces trading business" is separately disclosed since the six months ended 30 June 2019 and comparative figures of segment assets and liabilities were restated accordingly.

During the six months ended 30 June 2019, the new car parking spaces trading business started to bear fruit with revenue reached HK$5.5 million (2018: Nil) mainly arisen from sales of car parking spaces.

The segment gross profit margin of the car parking trading business segment was 42.8% with segment profit at HK$2.3 million in the first half of 2019 (2018: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains adequate cash balances. As at 30 June 2019, net working capital amounted to HK$1,002.5 million (as at 31 December 2018: HK$857.2 million).

During the six months ended 30 June 2019, due to expansion into the car parking spaces trading business with additions of car parks inventories, bank balances and cash decreased by 14.1% to HK$2,059.7 million from last year end (as at 31 December 2018: HK$2,398.3 million), in which, 95.1% were denominated in Renminbi and 4.9% were denominated in Hong Kong Dollar/Macau Pataca.

FOREIGN EXCHANGE EXPOSURE

As the Group mainly recorded its revenue, receivables and payables and expenditures, etc. in Renminbi for its PRC property management business, the management considered that a natural hedge mechanism existed. Meanwhile, fluctuations of exchange rates may impact our net asset values and financial results due to currency translation upon consolidation. If Renminbi appreciates/depreciates against Hong Kong dollar, we would record a(n) increase/decrease in our net asset values and financial results. At present, we have not entered into or traded financial instruments, including derivative financial instruments, for hedging or speculative purpose. Hence, other than the effect of currency translation as mentioned above, we have neither experienced nor expected any material and adverse effect on our business and operations due to the devaluation of Renminbi.

On one hand, the Group would closely monitor the volatility of Renminbi exchange rate, and would consider appropriate currency hedging policy for mitigating apparent exchange rate risk and enter into such hedging arrangement, if and when appropriate.

CAPITAL EXPENDITURES

The capital expenditures, which mainly represent additions to buildings, leasehold improvement, motor vehicles, machinery and equipment, furniture, fixtures, office equipment, leasehold right-of-use assets and software systems, were HK$28.0 million for the six months ended 30 June 2019.

MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENT AND FUTURE PLANS OF MATERIAL INVESTMENT

The Group had no material acquisitions, disposals, significant investments and future plans of material investment during the six months ended 30 June 2019.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2019, the capital commitments of the Group was HK$12.3 million, which mainly related to capital investment and acquisition of equipment and software. In additions, the Group provided counter-indemnities amounting to approximately HK$102.4 million, for guarantees issued in respect of certain property management service contracts for which we are required to provide performance bonds in the ordinary course of business.

Except as disclosed above, we had no other material capital commitments and outstanding contingent liabilities as at 30 June 2019.

EMPLOYEES

As at 30 June 2019, the Group had approximately 37,997 employees (as at 31 December 2018: 36,115). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market conditions. The remuneration packages included basic salaries, discretionary bonus and provident fund contributions/retirement pension scheme. Certain selected key personnel of the Group were also entitled to participate in a share incentive scheme of an intermediate holding company of the Group. The total staff costs incurred for the six months ended 30 June 2019 was approximately HK$1,284.3 million (2018: HK$1,048.5 million).

As part of our comprehensive training programme, we have provided classroom and online training to our staff to enhance technical and service knowledge as well as knowledge of industry quality standards and workplace safety standards.

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited condensed 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:

	Note	Six months ended 30 June **2019 (Unaudited) HK$'000**	 2018 (Unaudited) HK$'000
Revenue	4	**2,400,420**	1,906,855
Direct operating expenses		**(1,917,222)**	(1,378,516)
Gross profit		**483,198**	528,339
Other income and gains, net	6	**23,041**	24,026
(Loss)/gain arising from changes in fair value of investment properties		**(337)**	3,630
Selling and administrative expenses		**(141,303)**	(222,966)
Net impairment losses on financial assets – trade and other receivables		**(11,361)**	(17,377)
Operating profit		**353,238**	315,652
Share of profits of an associate		**91**	80
Finance costs	7	**(795)**	(3,239)
Profit before tax	5, 8	**352,534**	312,493
Income tax expenses	9	**(101,994)**	(88,306)
Profit for the period		**250,540**	224,187
Attributable to:			
Owners of the Company		**248,473**	220,823
Non-controlling interests		**2,067**	3,364
		250,540	224,187
		HK Cents	HK Cents
Earnings per share	11		
Basic and diluted		**7.56**	6.72

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**250,540**	224,187
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	**–**	21,503
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of subsidiaries of the Company	**(2,952)**	(10,453)
	(2,952)	11,050
Total comprehensive income for the period	**247,588**	235,237
Total comprehensive income attributable to:		
Owners of the Company	**245,566**	232,056
Non-controlling interests	**2,022**	3,181
	247,588	235,237

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Non-current assets			
Investment properties		**132,256**	132,586
Property, plant and equipment	12	**50,623**	40,935
Right-of-use assets	3, 12	**28,840**	–
Intangible assets	12	**6,222**	6,232
Prepaid lease payments for land	3	**–**	1,458
Interest in an associate		**643**	552
Amount due from a related company		**85,842**	85,842
Prepayments		**5,929**	–
Deferred tax assets		**24,012**	26,427
		334,367	294,032
Current assets			
Inventories	13	**245,336**	37,142
Trade and other receivables	14	**891,679**	585,937
Deposits and prepayments	3	**63,238**	61,476
Prepaid lease payments for land	3	**–**	226
Amount due from immediate holding company		**866**	384
Amounts due from fellow subsidiaries		**78,718**	146,665
Amounts due from related companies		**32,819**	32,806
Bank balances and cash		**2,059,670**	2,398,334
		3,372,326	3,262,970
Current liabilities			
Trade and other payables	15	**1,510,132**	1,604,413
Receipts in advance and other deposits		**662,561**	670,591
Lease liabilities	3	**17,502**	–
Amount due to immediate holding company		**–**	1,547
Amounts due to fellow subsidiaries		**4,382**	8,822
Amounts due to related companies		**8**	2,496
Tax liabilities		**175,259**	117,924
		2,369,844	2,405,793

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Net current assets		**1,002,482**	857,177
Total assets less current liabilities		**1,336,849**	1,151,209
Non-current liabilities			
Lease liabilities	3	**6,166**	–
Deferred tax liabilities		**19,171**	22,249
		25,337	22,249
Net assets		**1,311,512**	1,128,960
Capital and reserves			
Share capital	16	**3,287**	3,287
Reserves		**1,296,996**	1,116,466
Equity attributable to owners of the Company		**1,300,283**	1,119,753
Non-controlling interests		**11,229**	9,207
Total equity		**1,311,512**	1,128,960

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000	Special reserve HK$'000	Other property revaluation reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018 (Audited)	3,287	(846)	751	45,604	(135,448)	17,433	925,394	856,175	5,378	861,553
Adjustment on adoption of HKFRS 9, net of tax	–	–	–	–	–	–	(1,945)	(1,945)	(37)	(1,982)
At 1 January 2018, as restated (Audited)	3,287	(846)	751	45,604	(135,448)	17,433	923,449	854,230	5,341	859,571
Profit for the period	–	–	–	–	–	–	220,823	220,823	3,364	224,187
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	–	–	–	–	–	21,503	–	21,503	–	21,503
Exchange differences on translation of subsidiaries of the Company	–	(10,270)	–	–	–	–	–	(10,270)	(183)	(10,453)
Total comprehensive income for the period	–	(10,270)	–	–	–	21,503	220,823	232,056	3,181	235,237
Capital contribution relating to share-based payments borne by intermediate holding company (Note 8)	–	–	179	–	–	–	–	179	–	179
Transfer to PRC statutory reserve	–	–	–	3,956	–	–	(3,956)	–	–	–
2017 final dividends approved (Note 10)	–	–	–	–	–	–	(49,303)	(49,303)	–	(49,303)
At 30 June 2018 (Unaudited)	3,287	(11,116)	930	49,560	(135,448)	38,936	1,091,013	1,037,162	8,522	1,045,684
At 1 January 2019 (Unaudited)	3,287	(44,344)	1,251	61,824	(135,448)	38,936	1,194,247	1,119,753	9,207	1,128,960
Adjustment on adoption of HKFRS 16, net of tax (Note 3)	–	–	–	–	–	–	(1,464)	(1,464)	–	(1,464)
At 1 January 2019, as restated (Unaudited)	3,287	(44,344)	1,251	61,824	(135,448)	38,936	1,192,783	1,118,289	9,207	1,127,496
Profit for the period	–	–	–	–	–	–	248,473	248,473	2,067	250,540
Exchange differences on translation of subsidiaries of the Company	–	(2,907)	–	–	–	–	–	(2,907)	(45)	(2,952)
Total comprehensive income for the period	–	(2,907)	–	–	–	–	248,473	245,566	2,022	247,588
Capital contribution relating to share-based payments borne by intermediate holding company (Note 8)	–	–	2,165	–	–	–	–	2,165	–	2,165
Transfer to PRC statutory reserve	–	–	–	3,157	–	–	(3,157)	–	–	–
2018 final dividends approved (Note 10)	–	–	–	–	–	–	(65,737)	(65,737)	–	(65,737)
At 30 June 2019 (Unaudited)	**3,287**	**(47,251)**	**3,416**	**64,981**	**(135,448)**	**38,936**	**1,372,362**	**1,300,283**	**11,229**	**1,311,512**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
		Six months ended 30 June	
Net cash used in operating activities		**(326,816)**	(190,898)
Investing activities			
Interest received		**19,747**	21,662
Purchase of property, plant and equipment	12	**(18,096)**	(8,288)
Purchase of intangible assets	12	**(1,526)**	(2,469)
Purchase of right-of-use assets	12	**(4,383)**	–
Decrease in bank deposits over three months maturity		**198,830**	117,284
Net proceeds on disposals of property, plant and equipment		**748**	1,083
Net cash from investing activities		**195,320**	129,272
Financing activities			
Interest expense paid on bank borrowings		**–**	(3,638)
Repayment of bank borrowings		**–**	(265,000)
Decrease in amounts due to immediate holding company – non-trade		**(1,547)**	–
Repayment of leases liabilities		**(9,505)**	–
Dividends paid to owners of the Company	10	**–**	(49,303)
Net cash used in financing activities		**(11,052)**	(317,941)
Net decrease in cash and cash equivalents		**(142,548)**	(379,567)
Cash and cash equivalents at beginning of period		**1,974,993**	2,451,979
Effect of foreign exchange rate changes		**(1,608)**	(14,644)
Cash and cash equivalents at end of period		**1,830,837**	2,057,768

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Bank balances and cash:	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Bank balances and cash	**2,059,670**	2,398,334
Less: bank deposits over three months maturity	**(228,833)**	(423,341)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**1,830,837**	1,974,993

1. GENERAL INFORMATION

China Overseas Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suite 703, 7/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

The Company's immediate holding company is China Overseas Holdings Limited, a company incorporated in Hong Kong. The ultimate holding company of the Company is China State Construction Engineering Corporation (中國建築集團有限公司) ("CSCEC"), an entity established in the People's Republic of China (the "PRC") and the PRC government is a substantial shareholder of CSCEC.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in provision of property management services, value-added services and car parking spaces trading business.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 21 August 2019.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost basis except for investment properties, which are stated at fair values.

Save as described in note 3 "Adoption of new and revised Hong Kong Financial Reporting Standards" ("HKFRSs"), the accounting policies used in preparing the Interim Financial Statements are consistent with those of the annual financial statements for the year ended 31 December 2018.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied the following new and revised HKASs, HKFRSs, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA.

Annual Improvements Project	*Annual Improvements 2015–2017 Cycle*
HKFRS 9 (Amendments)	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
HKAS 19 (Amendments)	*Plan Amendment, Curtailment or Settlement*
HKAS 28 (Amendments)	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatment*

Except for HKFRS 16, the adoption of the other new and revised HKFRSs in the current period had no material impact on the Group's results and financial position. The impact from the adoption of HKFRS 16 is disclosed as follow.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases

HKFRS 16 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 and initially measured on a present value basis. The only exceptions are short-term and low-value leases. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the financial liability instead of rental expenses, and also classifies cash repayments on the financial liability into a principal portion and an interest portion and presents them in the condensed consolidated statement of cash flows.

The accounting for lessors does not significantly change.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures are required upon adoption.

The Group applied the standard from its mandatory adoption date of 1 January 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption, and any difference as at 1 January 2019 was recognised in the opening retained profits. Right-of-use assets for leases were measured on transition as if the new standard had always been applied.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of HK$39,161,000. Of these commitments, approximately HK$9,616,000 related to either short-term leases or low-value leases, which will be continued to recognise on a straight-line basis as expense in profit or loss, as the Group selected the exemption for short-term and low-value leases.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

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. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.75%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	39,161
Less:	
Short-term and low-value leases recognised on a straight-line basis as expense	(9,616)
	29,545
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	26,862
Add:	
Reclassification of prepayments as at 31 December 2018	784
Reclassification of prepaid lease payments for land as at 31 December 2018	1,684
Less:	
Adjustment on retained profits upon adoption	(1,464)
Right-of-use assets recognised as at 1 January 2019	27,866

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

The following is a reconciliation of the opening effect on adoption of HKFRS 16 as at 1 January 2019:

	Right-of-use assets HK$'000	Deposits and prepayments HK$'000	Prepaid lease payments for land HK$'000	Lease liabilities HK$'000	Retained Profits HK$'000
At 31 December 2018, as previously reported (Audited)	–	61,476	1,684	–	(1,194,247)
Adjustment on adoption of HKFRS 16	27,866	(784)	(1,684)	(26,862)	1,464
At 1 January 2019 (Unaudited)	**27,866**	**60,692**	**–**	**(26,862)**	**(1,192,783)**

The recognised right-of-use assets is related to the following types of assets and lease liabilities recognised is as follows:

	30 June 2019 (Unaudited) HK$'000	1 January 2019 (Unaudited) HK$'000
Leasehold land	**5,852**	1,684
Buildings	**22,988**	26,182
Total right-of-use assets	**28,840**	27,866
Lease liabilities – current portion	**17,502**	19,438
Lease liabilities – non-current portion	**6,166**	7,424
Total lease liabilities	**23,668**	26,862

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

The impact to the condensed consolidated income statement during the six months ended 30 June 2019 upon the adoption of HKFRS 16, which includes the recognition of interest expense on the lease liabilities and depreciation of the right-of-use assets instead of rental expenses and the resulting impact on net profit for the period, is not significant.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and

– the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group's leasing activities and how these are accounted for

The Group leases various offices, staff quarters, warehouses and equipments. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, the above leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the lease period.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

The Group's leasing activities and how these are accounted for (continued)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payment that are based on an index or a rate;

– amounts expected to be payable by the lessee under residual value guarantees;

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

The Group's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability;

– any lease payments made at or before the commencement date less any lease incentives received;

– any initial direct costs; and

– restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets represented US$5,000 (equivalent to approximate HK$39,000) or below.

Extension and termination options are included in certain leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was insignificant.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

The Group's leasing activities and how these are accounted for (continued)

The Group has not early applied any of the following applicable new and revised standards and interpretations that have been issued but are not yet effective for the current accounting period.

HKFRS 3 (Amendments)	*Definition of a Business*[1]
HKFRS 10 and HKAS 28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKAS 1 and HKAS 8 (Amendments)	*Definition of Material*[1]

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 these new or revised standards and 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 financial statements. Preliminary assessment of these standards based on current available information does not indicate any significant impacts to the results and financial position of the Group as when these standards become effective.

4. REVENUE

For better reflection of the detailed revenue structure and performance measurement, as well as enhance the comparability with peers, value-added services would be more broadly defined as value-added services to non-residents (for property developers and other property management companies) and residents (for residents of the properties). Accordingly, revenue from pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring provided to property developers and other property management companies, as well as advertisement income from common areas of HK$209.8 million and HK$48.6 million respectively (2018: HK$148.0 million and HK$50.1 million respectively), were reallocated to value-added services segment in 2019 from property management services segment. The segment information in 2018 was restated accordingly.

In addition, we engaged in car parking spaces trading business since second half of 2018 and believed that such business would create ease and value to our residents of the properties under management, is lucrative and therefore would continue to expand it. This new business segment "car parking spaces trading business" is separately disclosed since the six months ended 30 June 2019 and the comparative figures of segment assets and liabilities were restated accordingly.

The Group recognises revenue from car parking spaces trading when the customer obtains control of the car parking spaces and the Group satisfies the performance obligations at a point of time.

4. REVENUE *(continued)*

Revenue from the Group's principal activities recognised during the period is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	HK$'000
Property management services	**1,937,814**	1,573,561
Value-added services	**457,143**	333,294
Car parking spaces trading business	**5,463**	–
Total revenue	**2,400,420**	1,906,855

5. SEGMENT INFORMATION

The Group is organised into business segments based on the nature of services, and information is prepared and reported to the Group's management, for the purposes of resource allocation and assessment of performance.

As disclosed in note 4, presentation of segment information was revised to reflect the detailed revenue structure, performance measurement and business development. Comparative figures in 2018 were restated accordingly.

The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property management services	–	Provision of services such as security, repairs and maintenance, cleaning and garden landscape maintenance provided to mid- to high-end residential communities (including mixed-use properties), commercial properties, government properties and construction sites.

5. SEGMENT INFORMATION *(continued)*

Value-added services	–	Provision of (i) value-added services to non-residents (for property developers and other property management companies), including engineering, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc. and (ii) value-added services to residents, represented community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties), living service operations (to meet the various needs of residents of the properties) and commercial service operations (to meet the needs of business users).
Car parking spaces trading business	–	Trading of car parking spaces.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from both external customers and inter-segment revenue. Inter-segment revenue is charged at prevailing market rates and eliminated on consolidation. Segment profit included profits from the Company, the subsidiaries and share of profits of an associate. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION *(continued)*

Segment results, segment assets and segment liabilities

The following is analysis of the Group's revenue and profit by reportable segments:

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 June 2019 (Unaudited)					
Reportable segment revenue					
– from external customers	1,937,814	457,143	5,463	-	2,400,420
– inter-segment revenue	37,992	34,678	-	(72,670)	-
	1,975,806	491,821	5,463	(72,670)	2,400,420
Timing of revenue recognition of reportable segment revenue from external customers					
– at a point of time	-	60,480	5,362	-	65,842
– over time	1,937,814	395,154	-	-	2,332,968
	1,937,814	455,634	5,362	-	2,398,810
Revenue from other sources from external customers					
– rental income	-	1,509	101	-	1,610
	1,937,814	457,143	5,463	-	2,400,420
Reportable segment profit	248,107	135,421	2,340	-	385,868
	(i)	(ii)			
Corporate expenses, net					(33,334)
Profit before tax					352,534

5. SEGMENT INFORMATION *(continued)*

Segment results, segment assets and segment liabilities *(continued)*

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Elimination HK$'000	Consolidated HK$'000
Six months ended 30 June 2018 (Unaudited) (Restated)					
Reportable segment revenue					
– from external customers	1,573,561	333,294	–	–	1,906,855
– inter-segment revenue	584	39,522	–	(40,106)	–
	1,574,145	372,816	–	(40,106)	1,906,855
Timing of revenue recognition of reportable segment revenue from external customers					
– at a point of time	–	44,020	–	–	44,020
– over time	1,573,561	287,970	–	–	1,861,531
	1,573,561	331,990	–	–	1,905,551
Revenue from other sources from external customers					
– rental income	–	1,304	–	–	1,304
	1,573,561	333,294	–	–	1,906,855
Reportable segment profit	223,384	112,871	–	–	336,255
	(i)	(ii)			
Corporate expenses, net					(23,762)
Profit before tax					312,493

5. SEGMENT INFORMATION *(continued)*

Segment results, segment assets and segment liabilities *(continued)*

(i) Including net impairment provision for HK$11,361,000 (six months ended 30 June 2018: HK$17,377,000) of trade receivables and payments on behalf of property owners for properties managed under commission basis.

(ii) Including a loss arising from the changes in fair value of investment properties of HK$337,000 (six months ended 30 June 2018: gain arising from the changes in fair value of investment properties of HK$3,630,000).

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 30 June 2019 (Unaudited)					
Segment assets	**2,977,155**	**305,579**	**245,271**	**178,688**	**3,706,693**
Segment liabilities	**(2,241,836)**	**(60,225)**	**–**	**(93,120)**	**(2,395,181)**

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 31 December 2018 (Unaudited) (Restated)					
Segment assets	3,174,708	307,277	37,142	37,875	3,557,002
Segment liabilities	(2,340,220)	(66,487)	–	(21,335)	(2,428,042)

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income (Note)	**16,502**	19,634
Unconditional government grants	**6,883**	3,699
Others	**(344)**	693
	23,041	24,026

Note: Interest income was arisen from bank deposits and a three-years unsecured loan of RMB75,026,000 (equivalent to approximately HK$85,842,000) granted to a related company of the Group on 19 October 2017 which subsisted at the end of reporting period, with an interest rate of 4.75% per annum.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest expense on bank borrowings	**–**	3,239
Interest expense on lease liabilities	**795**	–
	795	3,239

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before tax is arrived at after charging:		
Staff costs including directors' emoluments and share-based payment (Note)	**1,284,289**	1,048,537
Sub-contracting costs	**373,525**	237,040
Impairment provision for trade and other receivables, net	**11,361**	17,377

Note: During the six months ended 30 June 2019, share-based payments to certain directors, senior management and other employees amounting to HK$2,165,000 (2018: HK$179,000) were recognised in profit or loss, with a corresponding credit to equity.

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Income tax expenses comprise:		
Current tax for the period		
Hong Kong profits tax	**532**	1,438
Macau complementary income tax	**15**	–
PRC Enterprise Income Tax	**93,692**	83,557
PRC Withholding Income Tax	**8,621**	7,851
	102,860	92,846
(Over)/under-provision in prior years:		
Hong Kong profits tax	**(198)**	62
	(198)	62
Deferred tax:		
Current period	**(668)**	(4,602)
Total	**101,994**	88,306

9. INCOME TAX EXPENSES *(continued)*

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period (2018: 16.5%).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2018: 25%).

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

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. Withholding income tax amounting to HK$8,621,000 (2018: HK$7,851,000) for the six months ended 30 June 2019 has been provided for in the financial statements in respect of dividends distributed from a PRC subsidiary to the Company during the period.

10. DIVIDENDS

A dividend of HK$65,737,000 that relates to the year ended 31 December 2018 was paid in July 2019 (2018: HK$49,303,000).

On 21 August 2019, the board of directors has resolved to declare an interim dividend of HK2.2 cents per share (2018: HK2.0 cents), which is payable to shareholders whose names appear on the register of members on 19 September 2019. This interim dividend, amounting to HK$72,311,000 (2018: HK$65,737,000), has not been recognised as a liability in the Interim Financial Statements. It will be recognised in equity in the year ending 31 December 2019.

10. DIVIDENDS *(continued)*

		Dividend paid Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	HK$'000	**HK$'000**	HK$'000
2017:			
Final dividend of HK1.5 cents per ordinary share	49,303		49,303
	49,303		
2018:			
Interim dividend of HK2.0 cents per ordinary share	65,737		
Final dividend of HK2.0 cents per ordinary share	65,737	–	
	131,474		
2019:			
Interim dividend of HK2.2 cents per ordinary share	72,311		
	72,311	–	49,303

11. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share	**248,473**	220,823

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	'000	'000
Adjusted weighted average number of ordinary shares for the purpose of basic earnings per share	**3,286,860**	3,286,860

As there are no dilutive potential ordinary shares as at 30 June 2018 and 30 June 2019, the diluted earnings per share is equal to the basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group paid capital expenditure for property, plant and equipment, intangible assets and right-of-use assets (leasehold land portion) of approximately HK$24,005,000 (2018: HK$10,757,000) and committed a lease (i.e. right-of-use assets under HKFRS 16) with capitalised value of HK$4,041,000 (2018: HK$Nil). Of which, there were acquisition of property, plant and equipment and right-of-use assets from a fellow subsidiary of HK$11,658,000 during the period.

13. INVENTORIES

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Car parking spaces, at cost	**245,271**	37,142
Consumables, at cost	**65**	–
	245,336	37,142

During the six months ended 30 June 2019, the Group purchased right-of-use on car parking spaces from subsidiaries of a fellow subsidiary amounting to HK$203,620,000.

14. TRADE AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Trade receivables	**714,885**	475,623
Less: Provision of impairment	**(76,608)**	(64,778)
Trade receivables, net	**638,277**	410,845
Other receivables, net	**253,402**	175,092
	891,679	585,937

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

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
0–30 days	**194,996**	126,106
31–90 days	**158,591**	91,276
91–365 days	**177,873**	103,317
Within 1 year	**531,460**	320,699
1–2 years	**73,197**	62,870
Over 2 years	**110,228**	92,054
	714,885	475,623

14. TRADE AND OTHER RECEIVABLES *(continued)*

Trade receivables are mainly arisen from property management services income from properties managed under lump sum basis and value-added services.

Property management services income from properties managed under lump sum basis in the PRC are received in accordance with the terms of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

Property management services income from properties managed under lump sum basis in Hong Kong has average credit period of not exceeding 60 days.

Provision of repair and maintenance, automation and other equipment upgrade services income is received in accordance with the terms of the relevant contract agreements, normally within 60 days from the issuance of payment requests.

Other value-added services income is due for payment upon the issuance of demand note.

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. The Group applies the simplified approach to provide for expected credit losses model, which requires the use of the lifetime expected loss provision for all trade and other receivables.

15. TRADE AND OTHER PAYABLES

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Trade payables	**421,420**	432,691
Special fund (Note)	**98,445**	112,059
Temporary receipts from properties managed under commission basis	**141,647**	176,369
Temporary receipts from properties managed under lump sum basis	**253,714**	277,037
Accrued staff costs	**422,651**	501,761
Payables for value-added tax and other levies	**35,927**	32,554
Dividend payables	**65,737**	–
Other payables	**70,591**	71,942
	1,510,132	1,604,413

Note: It mainly represents special maintenance fund held on custody of property owners for future settlement of construction costs for certain properties being managed by the Group.

The aging analysis of trade payables based on invoice date at the end of the reporting period is as follows:

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
0–30 days	**97,894**	127,315
31–90 days	**80,846**	48,650
Over 90 days	**242,680**	256,726
	421,420	432,691

16. SHARE CAPITAL

Issued and fully paid:

	Number of shares	Share capital HK$'000
As at 1 January 2018 and 31 December 2018 (Audited), 1 January 2019 and 30 June 2019 (Unaudited)	**3,286,860,460**	**3,287**

17. PERFORMANCE GUARANTEES

As at 30 June 2019, the Group provided counter indemnities to a fellow subsidiary and a bank amounting to approximately HK$102,394,000 (as at 31 December 2018: HK$94,467,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

18. CAPITAL COMMITMENTS

Significant capital commitments contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Capital investment	**8,753**	–
Acquisition of property, plant and equipment and intangible assets	**3,536**	–
	12,289	–

19. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
Nature of transactions:	Note	**HK$'000**	HK$'000
Intermediate holding company/ Immediate holding company/ Fellow subsidiaries			
Property management income and engineering income	(i)	**271,634**	210,346
Rental paid and utility expenses	(ii)	**36,385**	21,897
Related companies			
Property management income and engineering income	(i)	**50,964**	34,422
Key management (including directors)			
Remuneration		**9,094**	10,760

Notes:

(i) Property management income and engineering income are charged at rates in accordance with respective contracts.

(ii) Rental paid and utility expenses are charged in accordance with respective tenancy agreements and property management agreements.

20. FAIR VALUE MEASUREMENT

(a) Financial instruments

As at 30 June 2019 and 31 December 2018, the Group did not have any financial instruments measured at fair value, accordingly, no analysis on fair value hierarchy is presented.

Financial instruments not measured at fair value include trade and other receivables, trade and other payables, deposits under current assets and current liabilities, amounts due from/to immediate holding company, fellow subsidiaries and related companies, bank balances and cash, and bank borrowings.

For disclosure purpose, the fair value of non-current amount due from a related company is not materially different from their carrying values. The fair value have been determined by using discounted cash flow model and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risks of the Group.

Save as above, due to their short-term in nature, the carrying values of the above financial instruments approximate their fair values.

(b) Non-financial assets

The fair value of the investment properties as at 30 June 2019 is a level 3 recurring fair value measurement and determined using the same approach as the last year ended. During the six months ended 30 June 2019, there were no transfers among level 1, level 2 and level 3.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

During the six months ended 30 June 2019, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the unaudited interim report of the Group for the six months ended 30 June 2019.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) between the date of the Company's annual report 2018 and up to the date of this interim report are set out below:

Directors' information	Appointment (effective date)
Yan Jianguo	
• Chairman and Non-executive Director of China State Construction International Holdings Limited (Stock Code: 3311)	22 March 2019
So, Gregory Kam Leung	
• Independent Non-Executive Director and a member of the Audit Committee of Orient Overseas (International) Limited (Stock Code: 316)	17 May 2019

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2019 was 3,286,860,460 ordinary shares.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code (the "Model Code") as contained in Appendix 10 to Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the six months ended 30 June 2019. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY'S SECURITIES

As at 30 June 2019, the Directors and the chief executive of the Company and their respective associates had the following interests in the shares of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"):

Long Positions in Shares and Underlying Shares of the Company's Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares	Approximate percentage of issued share capital (%)
Yan Jianguo	China Overseas Land & Investments Limited ("COLI")	Beneficial owner	700,000 shares[1]	0.01%[2]
Yang Ou	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	270,000 A shares	0.01%[3]
Pang Jinying	CSCECL	Beneficial owner	410,000 A shares	0.01%[3]
Pang Jinying	China State Construction Development Holdings Limited ("CSC Development") (Formerly known as "Far East Global Group Limited")	Beneficial owner	300,000 shares	0.01%[4]

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY'S SECURITIES *(continued)*

Long Positions in Shares and Underlying Shares of the Company's Associated Corporations *(continued)*

Notes:

1. The share options were granted on 29 June 2018 under the share option scheme adopted by COLI on 11 June 2018. These share options will remain in force for a period of 6 years since the date of grant.

2. The percentage represents the number of shares interested divided by the number of issued shares of COLI up to the date of this interim report (i.e. 10,956,201,535 shares).

3. The percentage represents the number of shares interested divided by the number of issued shares of CSCECL up the date of this interim report (i.e. 41,981,265,652 shares).

4. The percentage represents the number of shares interested divided by the number of issued shares of CSC Development up the date of this interim report (i.e. 2,155,545,000 shares)

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates had held or deemed or taken to have held any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in Part XV of the SFO for the six months ended 30 June 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY'S SECURITIES

As at 30 June 2019, the following parties, other than the Directors or chief executive of the Company, had long positions of 5% or more in the shares of the Company (the "Shares") and underlying shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of issued share capital (%)
Silver Lot Development Limited ("Silver Lot")[1]	Beneficial owner	169,712,309	5.16[3]
China Overseas Holdings Limited ("COHL")[1]	Beneficial owner	1,841,328,751	56.02[3]
COHL	Interest of controlled corporation	169,712,309	5.16[3]
CSCECL[2]	Interest of controlled corporation	2,011,041,060	61.18[3]
China State Construction Engineering Corporation ("CSCEC")[2]	Interest of controlled corporation	2,011,041,060	61.18[3]

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY'S SECURITIES *(continued)*

Notes:

1. Silver Lot is a direct wholly-owned subsidiary of COHL and therefore, COHL is deemed by the SFO to be interested in the Shares in which Silver Lot is or is taken to be interested.

2. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, and therefore, CSCECL and CSCEC are deemed by the SFO to be interested in the Shares in which COHL is or is taken to be interested.

3. The percentage represents the number of shares interested divided by the number of issued shares of the Company as at 30 June 2019 (i.e. 3,286,860,460 shares).

4. All the shares stated above represent shares in long position.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any other person (other than Directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

Taking into account the dividend policy, result performance of the Group for the interim period and its future business expansion, the Board declared the payment of an interim dividend of HK2.2 cents per share (2018: HK2.0 cents per share) for the period ended 30 June 2019 that will be payable on Friday, 4 October 2019 to the members of the Company whose names appear on the register of members of the Company as at Thursday, 19 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Eligible Shareholders' entitlement to the interim dividend, the Register of Members will be closed as appropriate as set out below:

Ex-dividend date	Monday, 16 September 2019
Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Tuesday, 17 September 2019
Closure of register of members	Wednesday, 18 September 2019 to Thursday, 19 September 2019 (both days inclusive)
Record date	Thursday, 19 September 2019

For purpose mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

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