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

Stock Code: 00688

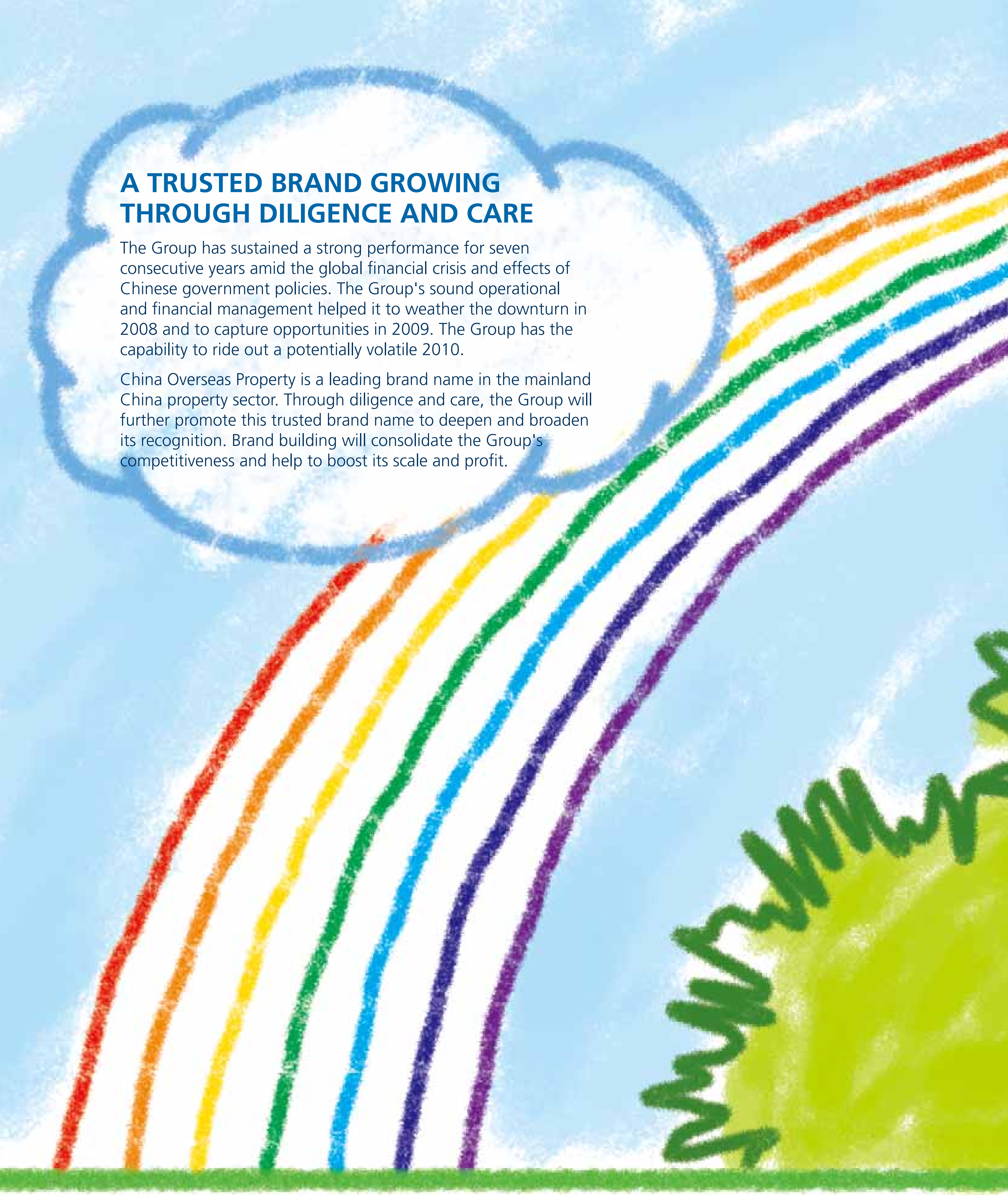
A Trusted Brand Growing Through **Diligence And Care**

ANNUAL REPORT 2009

A TRUSTED BRAND GROWING THROUGH DILIGENCE AND CARE

The Group has sustained a strong performance for seven consecutive years amid the global financial crisis and effects of Chinese government policies. The Group's sound operational and financial management helped it to weather the downturn in 2008 and to capture opportunities in 2009. The Group has the capability to ride out a potentially volatile 2010.

China Overseas Property is a leading brand name in the mainland China property sector. Through diligence and care, the Group will further promote this trusted brand name to deepen and broaden its recognition. Brand building will consolidate the Group's competitiveness and help to boost its scale and profit.



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Board of Directors, Honourable Chairman and Committees

Chairman
Kong Qingping

Honourable Chairman
Sun Wen Jie#

Executive Directors

Hao Jian Min	*Vice Chairman and Chief Executive Officer*
Xiao Xiao	*Vice Chairman*
Chen Bin	
Dong Daping	
Nip Yun Wing	
Luo Liang	
Lin Xiaofeng	

Non-Executive Director

Wu Jianbin	*Vice Chairman*

Independent Non-Executive Directors
Li Kwok Po, David
Lam Kwong Siu
Wong Ying Ho, Kennedy
Fan Hsu Lai Tai, Rita

Authorized Representatives

Kong Qingping	
Hao Jian Min	
Xiao Xiao	*(Alternate authorized representative to Hao Jian Min)*
Nip Yun Wing	*(Alternate authorized representative to Kong Qingping)*

Audit Committee
Li Kwok Po, David*
Lam Kwong Siu
Wong Ying Ho, Kennedy
Fan Hsu Lai Tai, Rita

Remuneration Committee
Wong Ying Ho, Kennedy*
Hao Jian Min
Li Kwok Po, David
Lam Kwong Siu
Fan Hsu Lai Tai, Rita

Nomination Committee
Fan Hsu Lai Tai, Rita*
Kong Qingping
Dong Daping
Li Kwok Po, David
Lam Kwong Siu
Wong Ying Ho, Kennedy

not a director of the Company
* *Committee Chairman*

Corporate and Shareholders' Information

Corporate Information

Registered Office

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong

Telephone	:	(852) 2823 7888
Facsimile	:	(852) 2865 5939
Website	:	www.coli.com.hk

Company Secretary

Keith Cheung, Solicitor

Registrar

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong

Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2810 8185
E-mail	:	is-enquiries@hk.tricorglobal.com

Legal Advisor

JSM

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers (In Alphabetical Order)

Agricultural Bank of China
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
The Bank of East Asia, Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
CITIC Ka Wah Bank Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Ltd.
Industrial and Commercial Bank of China (Asia) Ltd.

Shareholders' Information

Share Listing

The Company's shares and bonds are listed on The Stock Exchange of Hong Kong Limited ("SEHK").

Stock Code

Shares

SEHK	:	688
Bloomberg	:	688HK
Reuters	:	0688.HK

Bond

SEHK	:	China OVS N1207 Code : 2521
Bloomberg	:	EF0142101
Reuters	:	KY022045903 CINS-G2155ZAA2

Investor Relations

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Mr. Michael Jiang, Corporate Communications Department

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Facsimile	:	(852) 2865 5939
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Public Relations

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E-mail	:	doris_chung@cohl.com

Financial Calendar for 2008/09

Interim results announcement	:	17 August 2009
Interim dividend paid	:	28 September 2009
Final results announcement	:	18 March 2010
Share register closed	:	8 June 2010 to 9 June 2010 *(both days inclusive)*
Annual general meeting	:	9 June 2010
Final dividend payable	:	18 June 2010

Corporate Structure

Design
Mainland China,
Hong Kong, Macau, Canada,
Japan and others

Property Development*
Mainland China, Hong Kong and
Macau

Property Management
Mainland China, Hong Kong and Macau

Property Investment
Mainland China and Hong Kong

CHINA OVERSEAS LAND & INVESTMENT LTD.

* *Property development in 20 major cities in mainland China, (Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hangzhou, Zhuhai, Tianjin, Dalian, Shenyang, Qingdao, Jinan), as well as in Hong Kong and Macau.*

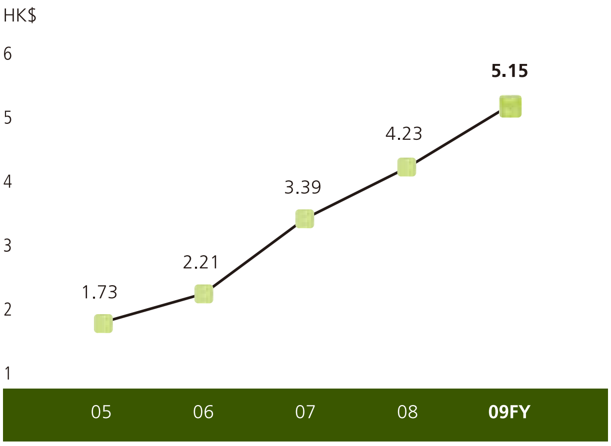
Financial Highlights

For the year ended 31 December	2009	2008	Change (%)
Financial Highlights *(HK$ billion)*			
Turnover	**37.3**	18.9	+98
Profit attributable to equity holders of the Company	**7.47**	5.05	+48
Proceeds from sales of properties	**47.8**	26.6	+80
Financial Ratios			
Net debt to shareholders' funds *(%)*	**22**	47	-25*
Interest cover *(times)*	**16**	7	+9**
Dividend payout *(%)*	**22**	21	+1*
Financial Information per Share *(HK$)*			
Earnings	**0.92**	0.64	+43
Dividends	**0.20**	0.13	+54
— Interim dividend	**0.07**	0.06	+17
— Final dividend	**0.13**	0.07	+86
Equity attributable to equity holders	**5.15**	4.23	+22
Land Reserves *(million sq m)*			
Development land bank	**30.55**	24.84	+23

Notes: * *Change in percentage points*
** *Change in number of times*

Earnings and Dividends per Share

Shareholder's Fund per Share



Chairman's Statement

The audited consolidated profit after taxation and minority interests of the Group for the year ended 31 December 2009 increased by 48% to HK$7.47 billion. Earnings per share were HK91.6 cents, an increase of 43%. Total shareholders' funds increased by 27% to HK$42.1 billion. Net assets per share were HK$5.15, an increase of 22% on 2008, and average return on shareholders' funds reached 19.3%. The Board recommends the payment of a final dividend of HK13 cents per share for year 2009.

Kong Qingping
Chairman

I have pleasure to report to the shareholders that:

In 2009, the Group adhered to its operational watchword: Sharpening Capabilities for Sustained Growth. Turnover increased by 98% to HK$37.3 billion, and consolidated net profit increased by 48% to HK$7.47 billion. The consolidated net profit of the Group has sustained a compound increase of about 47.4% in the past five years. This comprises annual increases of over 20%, fulfilling the Group's commitments to its shareholders and investors.

Business Review

As a result of the 2008 global financial crisis, economic development in many countries was adversely affected to varied extent. Major developed countries in Europe, as well as the United States and Japan, have gradually stumbled out of recession but a full global economic recovery is yet to be seen. Under the central government's proactive fiscal policies and moderately loose monetary policies, and coupled with the implementation of a basket of stimulus measures, the economic downturn in China was effectively staved off. In 2009, China still achieved strong GDP growth of 8.7%. Improved economic development in both Hong Kong and Macau was also seen.

In 2009, the Group adhered to its operational watchword: Sharpening Capabilities for Sustained Growth. By mastering such fluctuating market conditions, the Group achieved a substantial jump in its sales and profit. Turnover increased by about 98% to HK$37.3 billion, and consolidated net profit increased by 48% to HK$7.5 billion. The consolidated net profit of the Group has sustained a compound increase of more than 47.4% in the past five years (2005-2009). This comprises annual increases of over 20% in each of the past seven years (2003-2009), fulfilling the Group's commitments to its shareholders and investors.

The Group adhered firmly to its direction and target for its China real estate operation. It did not defer completion schedules of its ongoing projects nor carry out forced sales at low prices even during the difficult times in 2008. Instead, the Group gathered its strength and watched for the upturn and for other opportunities in the market.

Taking advantage of the release of pent-up demand and the V-shaped rebound, the Group expedited its stock sales in the first half of 2009. Meeting strong market demand and also as a result of targeted and innovative sales and marketing measures, the Group achieved an excellent result in both the price and transaction volume of its sales in the second half of the year. The turnover of the Group's China property development business increased by 110% to HK$36.1 billion, the gross profit margin was satisfactory at 31.1%, and the operating profit increased by 62% to HK$10.3 billion. Through timely adoption of greater sales flexibility, the stock of the two projects in Hong Kong and the La Cité project in Macau were cleared at good prices, generating turnover of HK$280 million; the gross profit margin was 60%. Hong Kong and Macau operations brought in an operating profit of HK$156 million.

Property Development

During the year, the China real estate market has evidently improved. The Group achieved another sales record of HK$47.8 billion in 2009 (including its share of sales in syndicated projects), an increase of 80% on 2008. The total area of properties sold was 4.8 million sq m, an increase of 76% on 2008. Pre-sales amounted to about HK$20.0 billion as at the end of 2009 (of which HK$17.5 billion has been received), an increase of 41%.

Total sales of properties in China remained robust, amounting to HK$47.0 billion, an increase of 81% on the previous year; the area sold was 4.8 million sq m, representing an increase of 76% on 2008.

During the year, 46 projects in China with aggregate GFA of 5.1 million sq m were completed for occupation. Total saleable area of these residential projects was 4.1 million sq m, of which 86% had been sold by the end of 2009, corresponding to an area of 3.5 million sq m and sales value of HK$33.3 billion.

Furthermore, sales of properties held for sale were satisfactory. During the year, 0.6 million sq m was sold for approximately HK$7.3 billion and, at the end of 2009, about 0.9 million sq m of properties were held for sale.

Most of the stock in Macau and Hong Kong was sold, resulting in revenue of HK$830 million. The sales turnover was HK$280 million.

Investment Properties

The Beijing China Overseas Plaza was completed at the end of 2008 and progress in leasing has been satisfactory. The overall occupancy rate of the Group's investment properties (comprising a total area of over 0.2 million sq m) was satisfactory. The total rental income for the year was HK$195 million, representing a decrease of 3% on 2008; segment results amounted to HK$1.5 billion which included an increase in fair value of properties of HK$1.3 billion (the net income after tax was HK$955 million). Operating profit was HK$160 million, representing a decrease of 5% as compared with 2008.

Land

As at 31 December 2009, the Group had a total land reserve of about 30.6 million sq m (attributable interest of about 27.0 million sq m) in 20 mainland cities, Hong Kong and Macau. This is enough to meet its requirements for development, and to assure annual profit increases of over 20% in the next four to five years.

Taking account of the economic environment, trends in the real estate market, the funding capabilities of the Group, the land reserve on hand and the quality and cost of new land parcels, eleven parcels of land were acquired in 2009 in ten cities in China — Chengdu, Shanghai, Jinan, Shenyang, Chongqing, Foshan, Ningbo, Qingdao, Changchun and Zhuhai. These land parcels provide an aggregate gross floor area (GFA) of 12.1 million sq m (attributable interest of 10.9 million sq m). The Group's focus this year was to expand the Northern Territory and the Hua Bei Territory. By establishing the Western Territory to oversee business in Chengdu, Chongqing and Xian and consolidating its success in the Hua Dong Territory and Hua Nan Territory, the Group achieved its objective of a balanced distribution of investment.

During 2009, the Group seized an opportunity and completed the land premium compensation of the Fanling project at a low price. It also purchased another parcel of land in Kowloon Tong at the end of the year. These provide a strong foundation for the Group's property development business in Hong Kong in the high-end sector.

Group Finance

The Group adheres strictly to the principle of a prudent financial management policy. Finance, treasury and fundraising activities of the Group are subject to centralised management and supervision. During the year, property sales in China were exceptionally good, providing ample cash inflow to the Group and reinforcing the Group's financial position. The Group continued to receive the support of its controlling shareholder China State Construction Engineering Limited ("CSCL"), which was listed in China on 29 July 2009, raising over HK$55.0 billion. In anticipation of the Group's funding requirements for land purchases, about 8.5 billion yuan (HK$9.7 billion) of short-term financing was received from a wholly owned subsidiary of CSCL in December 2009. Shareholders' funds in the Company increased from HK$33.2 billion at the end of 2008 to HK$42.1 billion at the end of 2009. The net gearing ratio at the end of 2009 showed a decrease from 46.8% the previous year to about 22.4%.

As at 31 December 2009, outstanding bank loans and guaranteed notes payable by the Group were about HK$21.3 billion and about HK$2.3 billion (US$300 million) respectively; and cash on hand amounted to approximately HK$23.9 billion. Together with available banking facilities of about HK$2.7 billion, the total funds available amounted to approximately HK$26.6 billion.

Human Resources

The Group firmly believes that the quality of human resources and the level of knowledge capital are important benchmarks in assessing the competitiveness of an enterprise. Personal capability is enhanced through skills development, staff training and job rotation. Long-term development of the Group and personal development of staff are closely interrelated and mutually reinforcing. This is a pre-eminent feature of the Group's corporate culture and human resource management style.

After assiduous promotion in recent years, the "Sons of the Sea" and "Sea's Recruits" schemes have become recognised human resource brands in the mainland property industry. Staff recruited through these two schemes have steadily become an important element supporting the sustainable and stable development of the Group. In 2009, "Sons of the Sea" was acclaimed as the most respected brand among top universities and the property industry. The Company was named "Best Graduate Employer in China" and also received a "China Human Resources Management Prize".

Corporate Governance

The Board recognises that its prime duty is to protect and best utilise resources in the Group and thereby to enhance shareholder value. Good corporate governance is the key to improving corporate profit and assuring sustainable development. The Group strives to improve corporate governance standards to ensure that the Group's businesses are run efficiently and its assets and shareholders' interests are well protected. In the past years, the Group has actively promoted corporate transparency and strengthened the Group's internal controls and risk management.

The annual report is a primary tool for communication with investors. The 2008 annual report was recognised in the influential international ARC Awards and Mercury Awards. This aligns with the Group's continued efforts to improve its communications with investors.

Corporate Citizenship

The Group is committed to corporate social responsibility and seeks to promote social value and harmony. The Group has established a well-regulated formal system to discharge its social responsibilities, especially in the areas of poverty alleviation, disaster relief works, educational subsidies, charitable donations and community services.

Since 2005, the Group has donated over 30 million yuan for the construction of four China Overseas Hope Schools and the rebuilding of the Du Jiang Yan Special Education School. The resources and facilities provided to these schools have greatly enhanced the education environment and capabilities of the locality.

The Group continued to apply environmental protection and energy conservation concepts such as carbon footprint and "green construction" throughout its corporate development strategy, as well as to the design and construction of its property projects. The aim is to help build a greener society and ensure a healthy living environment that enables sustainability in the natural environment in and around our projects. As a property developer, the Group can make a major contribution towards the economy, infrastructure development, environmental enhancement and provision of job opportunities in urban areas.

In recognition of the Group's commitment to discharging its corporate social obligations, the Company was acknowledged as one of the "Top 20 Corporate Socially Responsible Property Enterprises in China" in 2009.

Awards

In 2009, the Group received numerous awards. China Overseas Property was acknowledged as number one among "China's 20 Most Valued Property Brands" and its brand value increased to 14.05 billion yuan. It was also acknowledged as the number one among "Leading China Property Brands" and for six years in a row has been voted the number-one China Blue Chip Real Estate Developer. China Overseas Property was awarded six Zhan Tian Yao (詹天佑) awards for excellence in its quality, design and management and two CNBC International Property Awards.

Prospect

Macroeconomy

It is expected that governments worldwide will continue to maintain various stimulus measures aimed at boosting their economies and fighting recession. The effects of such support measures may vary from country to country. As real economic growth and higher employment have yet to be seen, fundamental conflicts (including in trade) among different economies have intensified and there is some protectionist sentiment. As a result of globalisation, the economic development of every country is now closely linked to that in all the others. Any change in the relationships among countries can generate substantial positive or negative effects. The global economic outlook in 2010 is full of uncertainty.

China achieved GDP growth of over 8% in 2009 but there were subsequent concerns about an overheating economy and inflation. The Chinese central government has started to adopt a more flexible monetary policy. In January 2010, for the first time in one and a half years, the central bank increased the deposit reserve rate and there was a second increase in February. It is possible that credit liquidity will be tightened again and interest rates increased. Economic development in Hong Kong and Macau will be affected to some extent. The year 2010 will be a challenging one for most enterprises.

Business Development

It is expected that competition in the China property market in 2010 will intensify. In an exceptional 2009, a strong rebound in the property market led to consolidation of prices at a high level and also triggered adjustments in government policies for year 2010. Some recent policies and measures have already affected the property market in the short term. Nevertheless, the Group is still optimistic about the long-term development of the mainland China property market. Property has become a pillar industry in China and is critical to the economic development of the country. Moreover, rapid ongoing urbanisation will continue to drive the property market for some time yet.

Greater volatility in the China property market is anticipated amid increased uncertainty. For the industry as a whole, there are more challenges than opportunities. However, property developers that are operationally and financially sound and have a strong brand name will be at a relative advantage. The Group will follow the market closely so as to improve its sensitivity towards market developments. By mastering changes in the market and the stages of the economic cycle, the Group will be able to seize investment opportunities including the acquisition of prime land parcels through various channels. The Group will continue to enter new cities and strengthen its balanced nationwide strategy. The Group will also continue to enhance its operational and management capability, so that it is able to maintain sustainable growth even in times of uncertainty and can consolidate its leading status in the property industry.

It is expected that the property market in Hong Kong and Macau, especially the high-end segment, will continue to be buoyant. In 2010, the Group will seek opportunities to expand its business in Hong Kong and Macau.

Operational Philosophy

The Group holds to its philosophy of Excellent Integrity, Eternal and Excellent Products (誠信卓越，精品永恒). This operational approach will not change as the scale of its operation grows. The Group strictly adheres to its undertakings and conducts business with complete integrity. The Group continues to apply the longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." It tries its utmost and explores every avenue to improve the quality of its projects so that each project stands out and sets the pace among high-end products in the area. The Group also endeavours to maintain its high levels of creativity and to continuously consolidate and expand its market and customer base. The Group works hard to enhance its customer relationship management system and to uphold its customer-focused strategy. By collecting data on customer demand and sharing it with operational departments, the Group strives to improve the quality of its projects and to provide customers with a choice of highly differentiated and desirable products. The Group continues to actively stimulate familiarity with its nationwide branded products and to provide customers with the best products and a full range of reliable consolidated services.

Brand Building

China Overseas Property (中海地產) is a leading brand name in the mainland China property sector. During the year, China Overseas Property was acknowledged as number one among "China's 20 Most Valued Property Brands" and the brand value of China Overseas Property increased by over 40% to 14.05 billion yuan. The Group's projects were widely recognised for their quality, design and management and received numerous awards. The brand value of an enterprise is based on its image in the community, its capability to act with a high level of corporate citizenship and effective corporate governance. The Group keenly recognises that an enterprise must continue to deliver high quality products even as the scale of its operation grows. The Group realises the brand name of China Overseas Property could be further promoted and become more widely and deeply recognised. The Group will increasingly emphasise building the China Overseas Property brand by launching more active and sophisticated promotion programmes, especially in newly entered cities. Brand building will consolidate the competitiveness of the Group and help raise the Group's scale and profit to a higher level.

Sustainable Project Development

Under more volatile and unpredictable market conditions for its mainland China property business, the Group will closely monitor the market and control the pace of its project development and sales appropriately. The Group will continue to launch targeted, highly differentiated, premium products. By leveraging its brand name, backed by innovative marketing and sales techniques, the Group can improve its sales results and cash flow, maximise the return on its assets as well as ensure sustainable growth in the scale and profit of its operations. It is planned that in 2010, the Group will commence development of an additional 9.0 million sq m, bringing the total area under development to around 16.0 million sq m. A total of 105 projects with GFA of 6.0 million sq m will be completed for occupation. The Group will strive to achieve total sales of not less than 4.8 million sq m for 2010, a slight increase on 2009.

The Group will allocate sufficient resources to ensure the successful sales of the two luxury projects in Hong Kong (in Stanley and Kowloon Tong) and the smooth development of the Fanling project and the other newly acquired Kowloon Tong project.

Better Business Structure

The Group will continue to operate a business structure with residential development as the main element and investment property in a supplemental role. It will balance resource allocation for short-term and long-term investment and gradually increase its weighting on investment property so as to obtain stable long-term returns and to enhance its capability to balance market risk. Currently, the total area of commercial property under development and yet to be developed by the Group exceeds 2.0 million sq m, with most expected to be completed by the end of 2012 and about 1.0 million sq m to be retained as long-term investment property. It is expected that from 2015 onwards, the Group will have stable rental of not less than HK$1.2 billion per year from its investment properties. Furthermore, it is expected that the Group will soon dispose of the Nanjing Yangtze River II Bridge, and thus withdraw fully from the infrastructure sector.

Land Replenishment

Under more volatile and unpredictable market conditions, the Group will calmly meet the challenges ahead. It will maintain an appropriate scale of investment and capture opportunities offered by market adjustments to replenish its prime land reserve through a variety of means and channels. It is intended that the Group will enter three or four new cities in 2010 and the replenishment of its land reserve will not be less than 6 million sq m.

Up to the date of the results announcement, the Group has acquired 9 pieces of land in 8 mainland cities in 2010, with a total GFA of 2.6 million sq m.

Multi-Growth Models

The Group will strive to expedite its development and expand its development scale through joint venture cooperation and mergers and acquisitions. Continuing financial benefits are expected in the near to medium term from the Group's joint ventures. On 17th March 2010, the Group entered into a joint venture agreement for the purpose of the establishment and management of a property fund. Details of the joint venture agreement have been announced. The acquisition of the control of Shell Electric Mfg (Holdings) Company Limited (stock code: 81) is at its final stage, the result of which will be disclosed shortly.

Market Leading Status

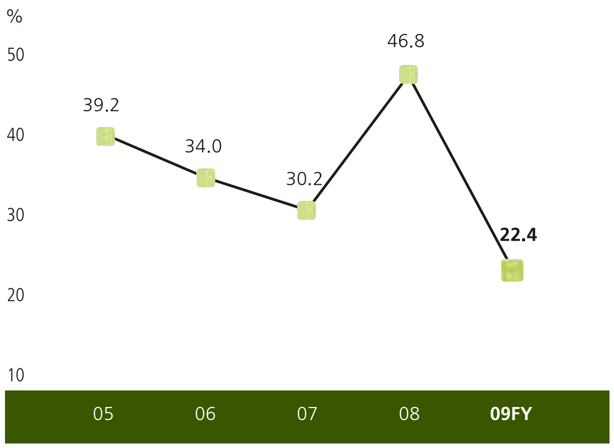
China is a vast country whose economy is developing at varying rates, and its property markets are also at different stages at any one time. However, comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group will continue to strengthen and balance its nationwide development strategy by actively exploring new markets that offer strong potential. In order to increase its leadership of the industry in terms of turnover, net profit, brand value and innovative products, the Group will continue to focus on the formulation and execution of policies and regulations, the development of the Group's human resources, protection of tangible and intangible resources, risk management and the enhancement of operating efficiency. Through improvement in the Group's overall competitiveness, the Group can actively acquire high-value land at low cost, maintain a customer-focused strategy, and continue to improve its product quality as the Group holds to its philosophy of practising professionalism in each and every detail and in each and every project.

Prudent Financial Management

The Group will continue to adhere to prudent financial management while it strives to improve its fund management capability. The Group will explore new channels and make full use of its fundraising platforms in the international, Hong Kong and mainland China financial markets in order to enhance its financial strength and resources and to increase its asset protection capabilities. Mindful of possible further liquidity shortages, and taking into consideration possible interest rate increases and RMB appreciation, on 5 February 2010 the Group secured a HK$8 billion, five-year long-term loan facility. To further strengthen its debt structure, the Group may seize market opportunities to secure other financing of a longer tenor. The Group will continue to upgrade and promote its ERP system to enhance the communication of project and financial information, intensify cash flow control across all regions, increase cash inflow and effectively combat the risks brought about by any shortage in liquidity.

Prudent financial management and strong financial capabilities allow the Group to avoid the need to sell heavily at low prices when the market is weak and position the Group to seize business opportunities and to acquire prime land at satisfactory prices. This structure provides a secure base for the sustainable and rapid growth of the Group.

Net Debt to Shareholders' Funds



On 25 January 2010, Moody's upgraded the Company's issuer and bond ratings to Baa2/Stable outlook. The upgrade reflected the recognition of the market to the Group's solid and stable financial profile and also its market-leading status. The investment ratings of the Company by Standard & Poor's remain unchanged at BBB-/Positive outlook.

Business Prospects

The Board is confident about prospects for the Group. Strong profit growth has been sustained for seven consecutive years despite the impact of the global financial crisis in the past two years. The Group was able to maintain growth in the difficult 2008 and to seize opportunities in the blossoming 2009. This demonstrates the Group's strength and flexibility. It validates the Group's focus on its core business and reflects the commitment of its staff. Moreover it demonstrates how the Group can meet challenges and emerge as the best in the industry. The year 2010 will be full of opportunities and challenges. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." Through its hard work and persistent innovation and by continuously enhancing its operating and management capability, the Group is fully confident of its performance in 2010. Furthermore, with its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness.

The Group is very confident that it can maintain its leadership position in the China real estate industry and achieve steady high-quality balanced growth. The Group has built a solid foundation to grow into an evergreen enterprise.

Mission

The Group strives to bring out the best value in its human resources, and places great emphasis on establishing a satisfactory operational and working environment. The Group is committed to enhancing shareholder value, raising its standards of corporate governance, moral integrity and corporate citizenship, and improving its core competitiveness through continuous innovation. The ultimate goal is to attain an outcome that is mutually beneficial for the Group, its shareholders, business associates, staff members and the community. The Board will endeavour to develop the Group into an evergreen enterprise.

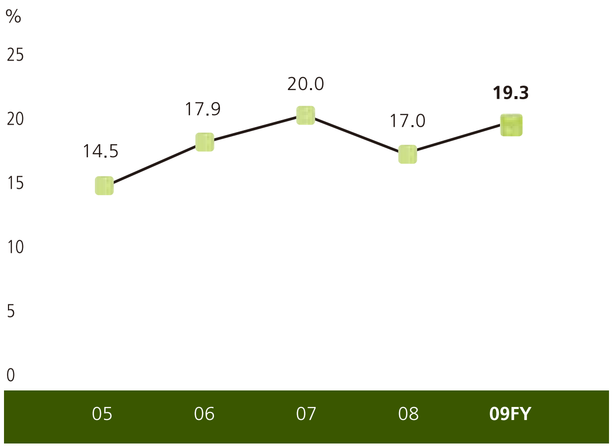
Appreciation

Lastly, I would like to thank the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

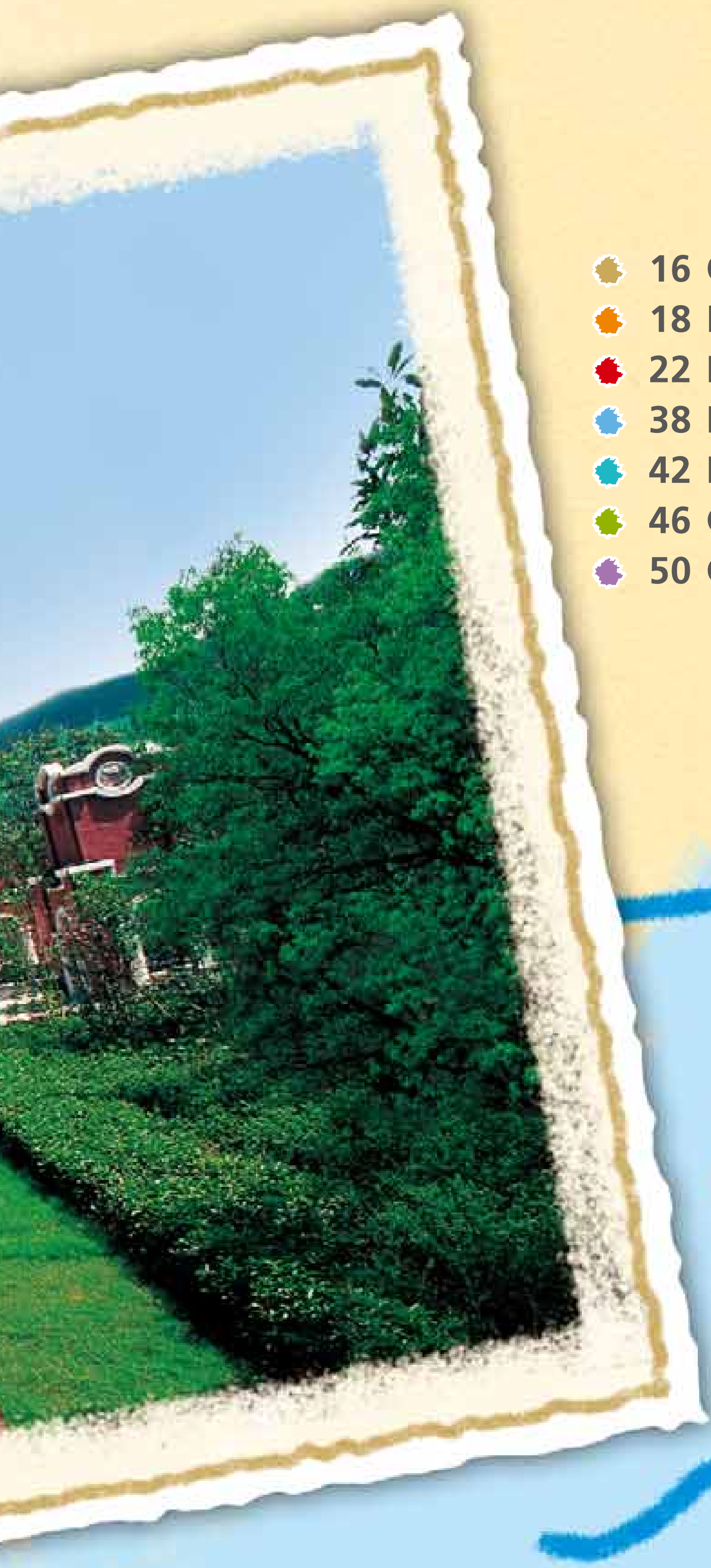
By order of the Board
China Overseas Land & Investment Ltd.
Kong Qingping
Chairman

Hong Kong, 18 March 2010

Average Return on Equity in the past 5 years



Management Discussion and Analysis



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Overall Performance for Year 2009

In 2009 the Group had another excellent year

The Group's turnover from continuing operations amounted to HK$37.3 billion (2008: HK$18.9 billion), an increase of 98%. The operating profit amounted to HK$12.3 billion (2008: HK$9.0 billion), an increase of 36%. Profit attributable to shareholders amounted to HK$7.47 billion (2008: HK$5.05 billion), an increase of 48%. Basic earnings per share amounted to HK91.6 cents (2008: HK64.2 cents), an increase of 43%.

The equity attributable to shareholders of the Company at the end of 2009 increased by 27% to HK$42.1 billion (2008: HK$33.2 billion).

Income

The operating income from the Group's property developments amounted to HK$36.4 billion, an increase of 103% on 2008. The mainland China property development business grew rapidly, with revenue increasing by 110% to HK$36.1 billion, accounting for 97% of the Group's turnover. Hong Kong and Macau property operating income amounted to HK$280 million.

Property investment income amounted to HK$195 million, a slight decrease of 3%.

Other income, mainly from property management and the Hua Yi design business, amounted to about HK$744 million, a decrease of 7%.

Residential properties were well-received in Mainland markets.

Operating Profit

The Group's operating profit amounted to HK$12.3 billion, an increase of 36% over 2008. The operating profit from mainland property developments amounted to HK$10.3 billion, an increase of 62%, which was derived from the sale of the 46 projects completed during the year, in addition to other property held for sale. In 2009, the market has evidently improved but notable price increases were seen only in the second half of the year. Turnover booked in 2009 was mainly related to sales made in 2008 when the market was poor, and to the first half of 2009 when prices had not increased much. Also, the Group entered five new cities in 2007, namely Shenyang, Qingdao, Dalian, Tianjian and Zhuhai. It takes time for a new city to build up its scale and status, and the gross profit margin is generally lower particularly in a weak general property market. Zhuhai has yet to contribute any turnover, and the gross profit margin in the other four new cities was relatively low. The overall gross profit margin in the mainland China property development business in 2009 hence decreased from last year's 43.7% to 31.1%. The Board is confident of a recovery in gross profit margins for 2010. The property development business in Hong Kong and Macau realised an operating profit of HK$156 million, with a high gross profit margin of 60%.

Investment property rentals continued to provide stable income for the Group, with operating profit amounting to HK$160 million. There was an increase in the fair value of investment properties amounting to HK$1.3 billion (net after tax increase of HK$955 million, a decrease of 11%), mainly coming from the revaluation of The Beijing China Overseas Plaza and the China Overseas Building in Hong Kong.

Costs and Expenses

Notwithstanding that the sales and turnover of the Group increased substantially in 2009, the Group's selling and distribution costs and the administrative expenses decreased substantially by 16% to HK$1.3 billion, mainly due to tighter cost control. As a result of reduced borrowing and lower interest rates all over the world, financial costs decreased by 38% to HK$829 million. Uncapitalised financial costs amounted to HK$228 million, a decrease of 45%.

China Overseas Property has became a leading brand in the Mainland property sector.

Land Reserves

Annual Summary

- Twelve parcels of land were acquired by the Group in ten mainland cities and Hong Kong, amounting to a total GFA of 12.10 million sq m (attributable interest of 10.90 million sq m).
- The Group acquired two large parcels of land in Shenyang, making it our largest land bank, at a GFA of 6.83 million sq m.
- At the end of 2009, total GFA for development amounted to 30.55 million sq m (attributable interest of 27.01 million sq m), an increase of 23% on 2008.

The Group realises that a good land policy is key to the success of a property developer. The Group strives to maintain an appropriate level of investment and to seize opportunities to replenish its prime land bank.

Property is a capital-intensive business of a cyclical nature, which is intensified by the implementation of government policies from time to time. The Group strives to replenish its prime land bank through a variety of means and channels, taking into consideration the economic environment, trends in the property market, the funding capabilities of the Group, the land bank on hand and the quality and costs of new land parcels.

The Group acquired eleven parcels of land in ten mainland cities, which provided additional GFA of approximately 12.10 million sq m, in which the attributable interest was 10.90 million sq m. These parcels are located in Chengdu, Shanghai, Jinan, Qingdao, Shenyang, Chongqing, Foshan, Ningbo, Changchun and Zhuhai. 2009 was an exceptional year with strong sales across the whole property market in China. The Group had record sales in terms of both area and transaction value, and this triggered an urgent and strong need to replenish our land reserves. The Group's land acquisition activity was thus much greater than had been planned at the beginning of 2009. The Group's focus in 2009 was to expand the Northern Territory and the Hua Bei Territory. By establishing the Western Territory and consolidating its success in the Hua Dong and Hua Nan Territory, the Group achieved its objective of a balanced distribution of investment, and laid a solid foundation for the sustainable development of the Group's property business.

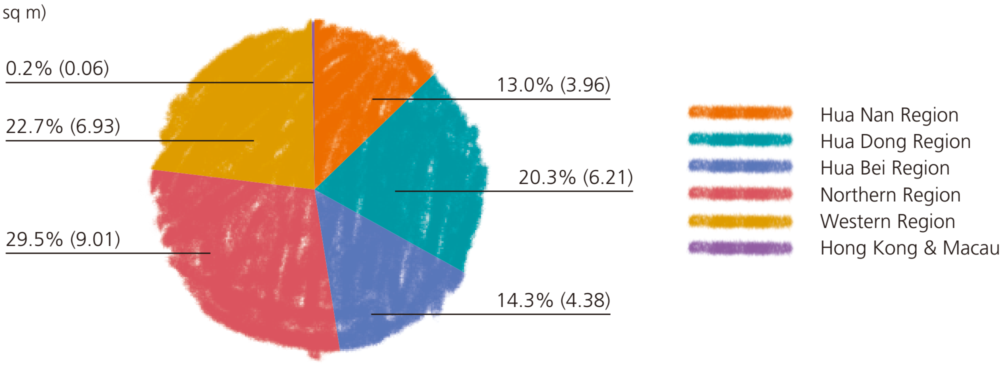
At 31 December 2009, the Group had a total land reserve of over 30.55 million sq m, in which the attributable interest was 27.01 million sq m, in 20 mainland China cities and districts, as well as in Hong Kong and Macau. This is sufficient to support the Group's annual profit growth rate of over 20% in the coming four to five years. In terms of location, 29.5%, 22.7%, 20.3%, 14.3% and 13.0% of the land reserves of the Group are situated in the Northern Territory, the Western Territory, the Hua Dong Territory, the Hua Bei Territory and the Hua Nan Territory respectively. Given China's vast territory, it is not abnormal that economic development and real estate development are not balanced. A comprehensive national strategic spread can effectively balance economic and market risks associated with cyclical fluctuations. This is demonstrated by the fact that the profit attributable to shareholders has sustained a compound growth of 47.4% in the past five years. In a difficult 2008, the Group was still able to maintain over 20% growth, and in a blossoming 2009, the Group recorded excellent results.

The Group's small land reserves in Hong Kong and Macau are of high quality and can provide satisfactory returns for the Group. During 2009, the Group completed the land premium compensation of the Fanling project at favourable terms, and it also seized the opportunity to acquire another parcel of land in Kowloon Tong. These provide a strong foundation for the Group's property development business in Hong Kong in the high-end sector.

In 2010, leading up to the date of the results announcement, the Group has acquired nine more pieces of land in eight mainland cities, adding a total GFA of 2.61 million sq m (attributable interest of 2.27 million sq m), bringing its land bank up to 33.16 million sq m (attributable interest of 29.28 million sq m).

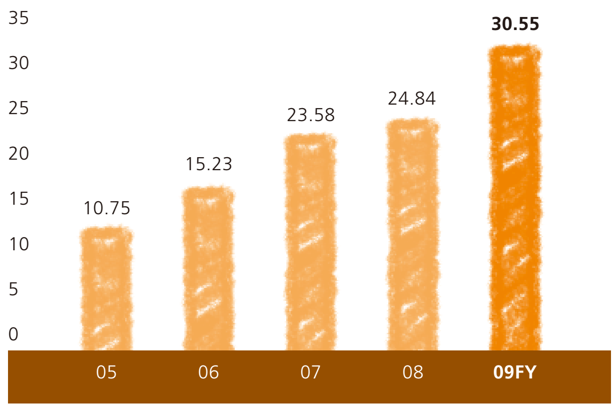
Breakdown of Land Reserves by Region

(unit: million sq m)



2005–2009 Growth in Total Land Reserves

(unit: million sq m)



National Coverage of the Group

Land Parcels added in 2009

District	Project Name	Land Area ('000 sq m)	Total GFA ('000 sq m)
Hua Nan Region			
Zhuhai	Xiangzhou LiShenqian Project	45	89
Foshan	Foshan Nanhai Qiandenghu West Project	155	788
Hua Dong Region			
Ningbo	Chating Project	329	329
Shanghai	Changfeng Project	142	394
Hua Bei Region			
Jinan	Jiuqu Project	1,782	2,629
Northern Region			
Qingdao	Sifang Qingjiang Road	73	162
Shenyang	Shenyang Holland Village Project	1,274	3,176
Shenyang	Shenyang Tawan Street Dongcheliang Factory Project	716	2,309
Changchun	Changchun Changling Group Project	140	487
Western Region			
Chengdu	Qingyang Supo Village	48	181
Chongqing	Chongqing Jiangbei City Project	265	1,553
Hong Kong & Macau			
Hong Kong	21, 23, 25 Grampian Road, Kowloon Tong	2	6
	Total	**4,971**	**12,103**

Total Land Reserves

District	City	GFA ('000 sq m)
Hua Nan Region	Shenzhen	601
	Zhongshan	81
	Guangzhou	358
	Foshan	1,891
	Zhuhai	1,031
Hua Dong Region	Shanghai	1,369
	Ningbo	825
	Hangzhou	1,594
	Nanjing	690
	Suzhou	1,727
Hua Bei Region	Beijing	509
	Tianjin	224
	Jinan	3,647
Northern Region	Shenyang	6,833
	Changchun	1,375
	Dalian	126
	Qingdao	679
Western Region	Chengdu	1,352
	Xi'an	1,341
	Chongqing	4,240
Hong Kong & Macau	Hong Kong	57
	Total	**30,550**

Hua Nan Region
Hua Dong Region
Hua Bei Region
Northern Region
Western Region
Hong Kong & Macau
Changchun
Shenyang
Beijing
Dalian
Tianjin
Qingdao
Jinan
Nanjing
Xi'an
Suzhou
Shanghai
Chengdu
Ningbo
Hangzhou
Chongqing
Guangzhou
Foshan
Shenzhen
Zhuhai
Zhongshan
Hong Kong
Macau
Land Reserves of the Group
Land added in 2009

Property Development

The Group holds to its philosophy of Excellent Integrity, Eternal and Excellent Products (誠信卓越，精品永恒). This operational approach will not change as the scale of operations grows. The Group strives to improve the quality of its projects and to provide customers with a choice of **differentiated and desirable products**.

Annual Summary

- 46 projects were completed, amounting to a GFA of 5.07 million sq m
- 86% of the saleable area of these completed projects were sold
- The total GFA sold amounted to 4.77 million sq m, raising HK$47.8 billion, representing increases of 76 % and 80% respectively over 2008
- Segment profit was HK$10.5 billion, an increase of 56% over last year

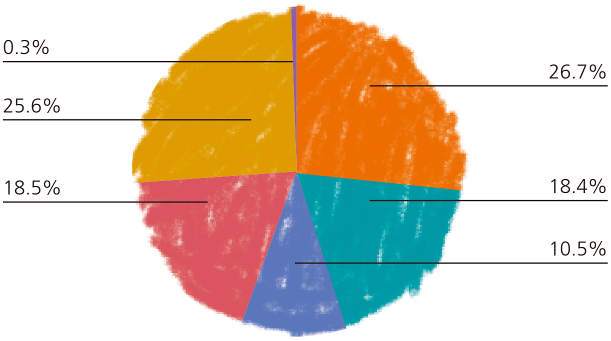
The Board is optimistic about the future of property development in China. The Group adhered firmly to its direction and target for its China real estate operations. It did not defer completion schedules of its ongoing projects, nor carry out forced sales at low prices even during the difficult times in 2008. Instead, the Group gathered its strength and watched closely for the upturn in the market. In 2009, the stimulus measures launched by the central government led to an economic and property rebound. Excellent results were recorded in 2009, partly due to the fact that China Overseas Property is a leading brand name in the mainland China property sector. China Overseas Property was acknowledged as number one among "China's 20 Most Valued Property Brands" and in 2009 its brand value increased by over 40% to 14.05 billion yuan.

Taking advantage of pent-up demand and the V-shaped rebound, the Group expedited its stock sales in the first half of 2009. Meeting stronger market demand, the Group achieved excellent results in terms of both the transaction volume and price of its sales in the second half of 2009. Property sales for the year were satisfactory at HK$47.8 billion, representing an increase of 80% over 2008. The total GFA sold was 4.8 million sq m, an increase of 76% over last year. Sales in China were HK$47.0 billion, accounting for 98% of the total sales and an increase of 81%. The total GFA sold in China amounted to 4.8 million sq m, an increase of 76%. Sales in Macau and Hong Kong were HK$830 million, an increase of 16%.

Greater volatility is expected amid increased uncertainty. 2010 could be a challenging year for most developers. As an operationally and financially sound developer with a strong brand name, the Group is at a relative advantage. The Group is confident of its performance in 2010.

2009 Property Sales in area by Region

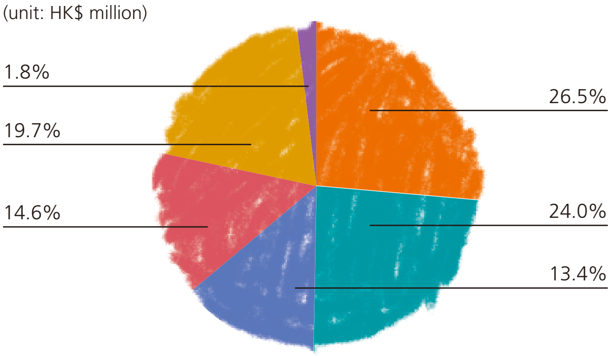
(unit: '000 sq m)



Hua Nan Region	1,274
Hua Dong Region	878
Hua Bei Region	502
Northern Region	880
Western Region	1,221
Hong Kong & Macau	13

2009 Property Sales by Region

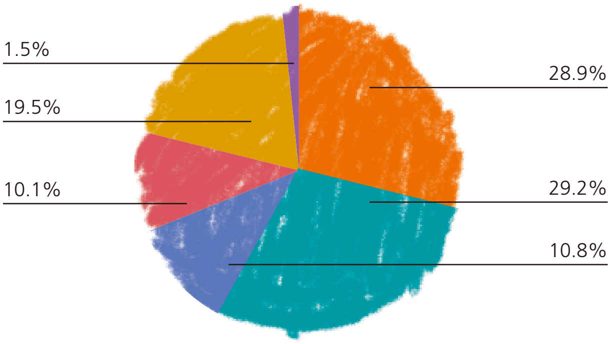
(unit: HK$ million)



Hua Nan Region	12,656
Hua Dong Region	11,492
Hua Bei Region	6,406
Northern Region	6,988
Western Region	9,415
Hong Kong & Macau	833

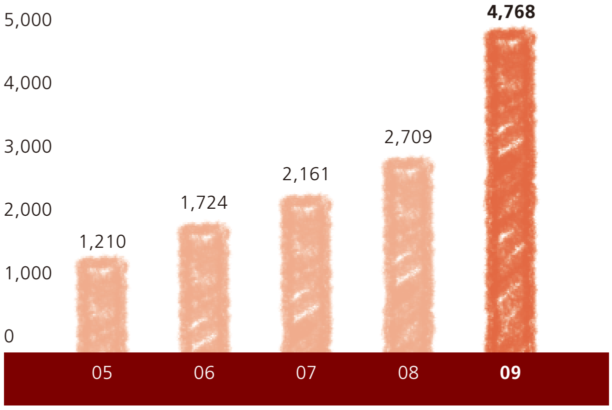
2009 Gross Profit Contribution by Region

(unit: HK$ million)

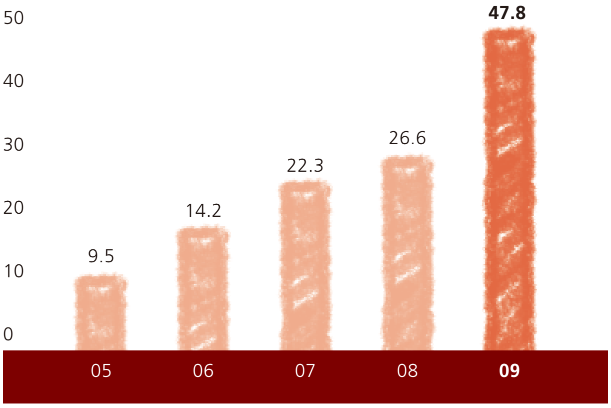


Hua Nan Region	3,295
Hua Dong Region	3,334
Hua Bei Region	1,237
Northern Region	1,156
Western Region	2,223
Hong Kong & Macau	168

2005 to 2009 Growth in Property Contract Sales Area (unit: '000 sq m)



2005 to 2009 Growth in Property Sales Amount (unit: HK$ billion)



China is a vast country whose local and regional economies are developing at varying rates, and its property markets are also at different stages from one another. Comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group first entered north-eastern China by acquiring a land parcel in Changchun in 2003, and is now one of the leaders in the local market. Following the success of Changchun, the Group entered into many more second-tier cities, and now has a presence in fifteen such cities. Jinan is a city of great potential, while Shenyang is the city with the largest land bank in the Group. We therefore offer here a special introduction to Shenyang, Changchun and Jinan.

Shenyang

Shenyang is the capital of Liaoning province. It is an important heavy industrial base and transport hub for China as well as the trade and commercial, financial and communication centre of northeastern China. Shenyang has a strategically important position in the development of China. With the support of national policies, Shenyang is one of the country's most vibrant cities. With an area of 13,000 square kilometres and a population of over 7 million, Shenyang's GDP is expected to reach 436 billion yuan in 2009, an increase of 14% on 2008.

Since 2007, a large number of developers have entered Shenyang. The property market was weak in 2008 and many developers elected to enter to second-tier cities where the development of the property market is lagging. Cities like Shenyang are favoured for their economic and development potential. In 2009, with the influx of many first-tier local developers and Hong Kong developers to Shenyang, high-end projects from major brand-name developers started coming to market, and competition intensified while the quality of the houses was also rapidly enhanced. During 2009, investment in property increased by 17.6% to 119 billion yuan, and GFA sold increased by 4.6% to 15.3 million sq m.

It is expected that the city government will continue to support the property market in 2010 and the demand for property remains. With increased supply, the competition is expected to be keener although prices will continue to rise.

The Group entered Shenyang in 2008 and has three projects on hand: the International Community, the Metropolis and La Cite. The total land area of the three projects is 2.4 million sq m with a GFA of 7.3 million sq m. In fact Shenyang is the city with the Group's largest land bank and is expected to be a major source of profit for the Group over the next few years. In 2009, about 420,000 sq m of Phase I of the International Community was completed for occupation, contributing sales turnover of HK$144 million and profit of HK$37.5 million.


COLI City I
COLI City II
Huanggu District
La Cité
Dadong District
Shenhe District
Tiexi District
Yuhong District
Dongling District
Heping District
Hun He
Shenyang Cross-border Expressway
International Communlity
Center Villa

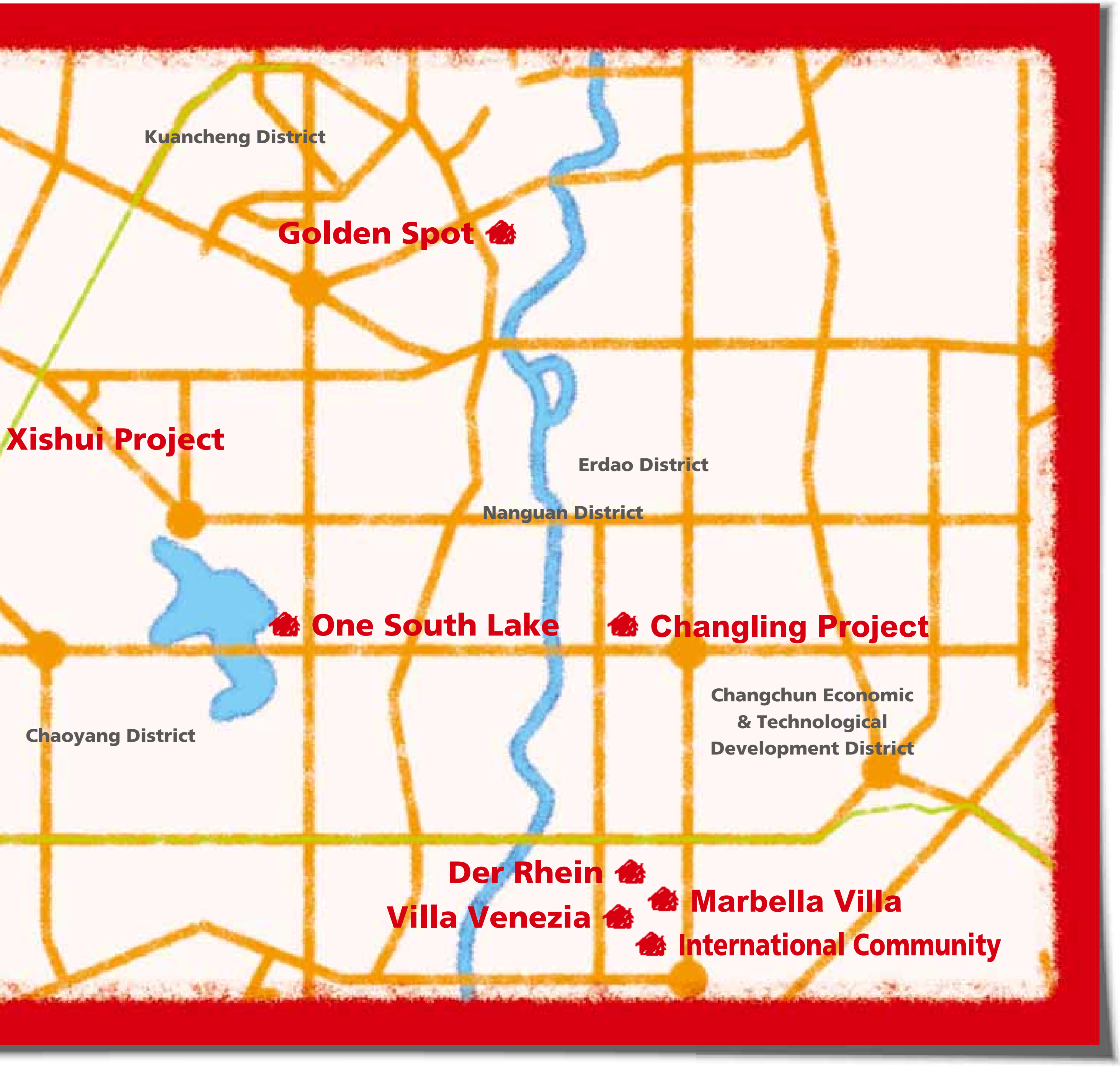
Changchun

Changchun is the capital of Jilin province. It has a population of 7.24 million people, of which 3.15 million live in the urban area. Founded in the Ching Dynasty over 200 years ago it is renowned for its history and culture. Changchun is the economic and cultural centre of Jilin province and is strong in the automobile, pharmaceutical and natural resources sectors. It is at a medium level of economic development but is among the most rapidly developing cities in China, with a GDP of 325.5 billion yuan (urban areas only) and a growth rate of 16.5% for 2009.

The property development industry in Changchun started relatively late in 1999 and is at the mid to low end stage among second-tier cities. Since 2007, as developers such as Poly Real Estate, Green Land, China Railway and Wanda entering into Changchun, existing competition among Zhong Hai, Vanke and local developers intensified, leading to rapid development of the market. In 2009, the average selling price of residential units increased by 6.6% but the transacted area increased by 41.7% as compared with 2008.

The Group entered Changchun in 2002. It is well recognized locally and is now the market leader in the high-end sector. It has completed six projects (with more than 10,000 residents) and has two projects under development. In 2009, four projects were completed for occupation with a total GFA of 6.67 million sq m.

The sales turnover for 2009 was HK$3.45 billion, contributing gross profit of HK$694 million. The Changchun city office still has a land bank of 1.18 million sq m and will continue to prosper.


Kuancheng District
Golden Spot
Xishui Project
Erdao District
Nanguan District
One South Lake
Changling Project
Changchun Economic
& Technological
Development District
Chaoyang District
Der Rhein
Villa Venezia
Marbella Villa
International Community

Jinan

Jinan is the capital of Shandong province. It is a strategically important city at the downstream of the Huang He on the southern edge of the Bohai Rim. Renowned for its culture and history, the city has an area of 8,177 square kilometres and a population of over 6 million and a history of over 2,600 years, Jinan is in fact the centre for politics, culture, economics, capital market and education of Shandong. In 2009, the GDP of Jinan exceeded 335 billion yuan, an increase of 11% on 2008.

Property development activity started relatively late in Jinan but there has since been a sustained growth in the level of property investment. In 2006, 2007 and 2008, respective increases of 32%, 20% and 42% were recorded. In 2009, with the influx of many first-tier developers to Jinan, about 5 million sq m of land changed hands, an increase of 20.59% on 2008. Once these projects start development, the Jinan property market will rise to a new level in 2010.

The major feature of the Jinan property market in 2009 was the increase in both the price and transaction volume. The area of residential projects sold was about 4 million sq m, an increase of 22.3% on 2008 while the corresponding sales volume stood at 19.35 billion yuan, an increase of 41.2% on 2008. The average selling price was 6,035 yuan per sq m, an increase of 10.86%.

The Group entered Jinan in March 2008. It has three projects on hand: The Royal Dynasty project in Lixia district has a land area of 170,000 sq m and GFA of 350,000 sq m. Over 70% of the project was sold in 2009 with the balance expected to be sold by June 2010. It took the Group less than two years to develop and sell out the whole project (less than one year to complete all sales) and the capacity of Zhong Hai jolted the whole Jinan market.

The Dragon Manor project was acquired in August 2008. It is located in the new city centre of Jinan East, close to the administrative centre of the city government and the 11th China National Games Sport Centre. The land area is about 236,000 sq m and the GFA is about 482,000 sq m. It is intended to develop the project as a high-end residential area. It was launched on to the market in October 2009 and set a local record with 118 houses sold out in one day, raising 590 million yuan.

In August 2009, 13 land parcels in Jiuqu district, the city centre of Jinan, were acquired by the Group. It has a land area of 1.78 million sq m, and GFA of 2.63 million sq m. It will be developed into one of the largest residential communities in Jinan South with ample commercial and financial, government, sports, recreation and natural facilities.

In 2009, Jinan City office recorded sales of HK$1,650 million and is one of the top three property developers locally. An area of 500,000 sq m of the Royal Dynasty project was completed for occupation, recording a sales turnover of HK$450 million and contributing gross margin of HK$150 million. At end of 2009, Jinan had a land reserve of 3.65 million sq m. It is expected that Jinan will make a satisfactory profit contribution to the Group from 2010 onwards.


HuangHe
Royal Dynasty
Licheng District
Tianqiao District
Daming Lake
Baotu Spring
Lixia District
City Administration centre
Dragon Manor
Shizhong District
Thousand Buddha Mountain
Jinan University
Jiuqu Project

Project Development

The Group completed 46 projects in mainland China during the year, amounting to a GFA of 5.1 million sq m and a saleable area of 4.1 million sq m. The completed projects were mainly residential, and 86% of the saleable area was sold by the end of 2009. Hong Kong and Macau had no projects completed for occupation in 2009, and the sales were all related to stock sales.

GFA of Projects Completed in 2009 by Region (unit: '000 sq m)

District	GFA	
Hua Nan Region		
Shenzhen	368	
Zhongshan	40	
Guangzhou	208	
Foshan	464	
Sub-total	**1,080**	**(21.2%)**
Hua Dong Region		
Shanghai	183	
Suzhou	501	
Ningbo	25	
Hangzhou	97	
Nanjing	61	
Sub-total	**867**	**(17.1%)**
Northern Region		
Changchun	667	
Shenyang	42	
Dalian	103	
Qingdao	233	
Sub-total	**1,045**	**(20.6%)**
Hua Bei Region		
Beijing	383	
Jinan	50	
Tianjin	138	
Sub-total	**571**	**(11.3%)**
Western Region		
Xi'an	260	
Chongqing	309	
Chengdu	941	
Sub-total	**1,510**	**(29.8%)**
Total	**5,073**	

At the end of 2009, about 7.0 million sq m was under development by the Group. In 2010, it is planned that the Group will commence development of an additional 9.0 million sq m, bringing the total area under development to a scale of around 16.0 million sq m. It is also planned that 105 projects amounting to GFA of 6.0 million sq m will be completed in 2010 in mainland China. The Stanley Beach Road and Kowloon Tong Oxford Road project are expected to complete for occupation in 2010.

GFA of Projects to be Completed in 2010 by Region (unit: '000 sq m)

District	GFA	
Hua Nan Region		
Shenzhen	164	
Zhongshan	87	
Guangzhou	157	
Foshan	847	
Zhuhai	111	
Sub-total	**1,366**	**(22.8%)**
Hua Dong Region		
Shanghai	177	
Suzhou	568	
Nanjing	63	
Ningbo	175	
Hangzhou	239	
Sub-total	**1,222**	**(20.4%)**
Northern Region		
Changchun	176	
Shenyang	543	
Dalian	186	
Qingdao	215	
Sub-total	**1,120**	**(18.7%)**
Hua Bei Region		
Beijing	295	
Jinan	372	
Sub-total	**667**	**(11.1%)**
Western Region		
Chengdu	719	
Xi'an	655	
Chongqing	242	
Sub-total	**1,616**	**(26.9%)**
Hong Kong & Macau		
Hong Kong	9	
Sub-total	**9**	**(0.1%)**
Total	**6,000**	

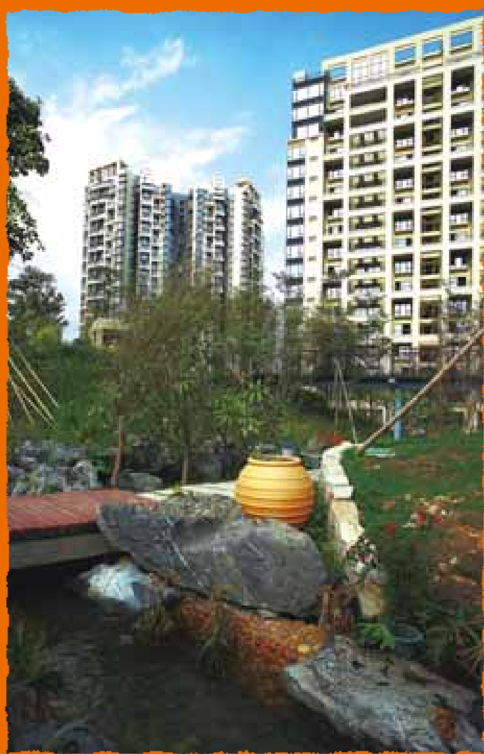
Major Projects Completed

Northern Region

Changchun
International Community

Hua Nan Region

Shenzhen
Olympic City



Western Region

Chengdu

International Community

Hua Bei Region

Beijing

The Metropolis

Hua Dong Region

Shanghai

Jade Laguna Villa

Major Projects Completed

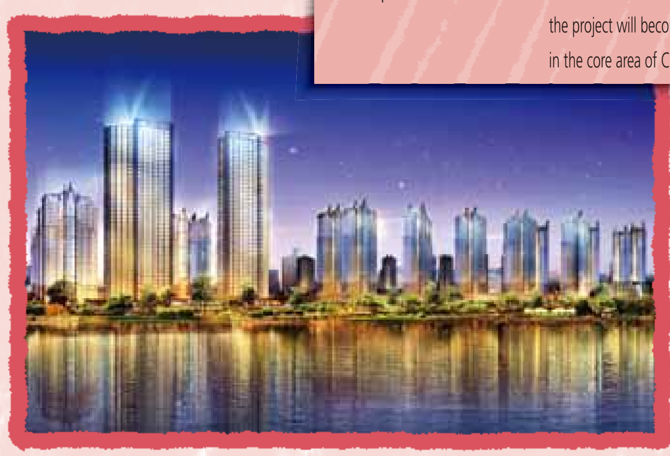
Northern Region

Dalian The Prime Manor

Land area	:	87,000 sq.m.
GFA	:	162,000 sq.m.
Number of units	:	1,246 units
Estimated Completion	:	May 2011
Description	:	Located at Shahekou district, the project comprises of Townhouse, high-rise and low-rise apartments.

Shenyang International Community

Land area	:	471,000 sq.m.
GFA	:	1,175,000 sq.m.
Number of units	:	12,000 units
Estimated Completion	:	2015
Description	:	Located at the core area of Changbai district, the project will become a large community in the core area of City south.



Western Region

Xi'an International Community

Land area	:	640,000 sq.m.
GFA	:	1,434,000 sq.m.
Number of units	:	10,558 units
Estimated Completion	:	December 2013
Description	:	Located at Qu Jiang, the project consists of town house, low-rise and high-rise apartments.

Chengdu International Community

Land area	:	1,324,000 sq.m.
GFA	:	1,191,600 sq.m.
Number of units	:	8,734 units
Estimated Completion	:	December 2012
Description	:	The first residential development awarded the best development United Nation in the south-west Region. The project is a large high-end residential community in the Central area of Chengdu City.

Hua Bei Region

Beijing Windsor Pavillion

Land area	:	70,000 sq.m.
GFA	:	230,000 sq.m.
Number of units	:	2,171 units
Estimated Completion	:	April 2011
Description	:	The project comprises of residential development office buildings and commercial development.

Jinan Royal Dynasty

Land area	:	173,000 sq.m.
GFA	:	285,000 sq.m.
Number of units	:	2,544 units
Estimated Completion	:	September 2011
Description	:	Situated at eastern Part of Jinan City, the project consists of town house and high-rise apartments.

Hua Dong Region

Hangzhou The Tudor

Land area	: 100,000 sq.m.
GFA	: 210,000 sq.m.
Number of units	: 1,047 units
Estimated Completion	: 2012
Description	: The project located at the national resort district which enjoys the scenic views.

Suzhou International Community

Land area	: 660,000 sq.m.
GFA	: 1,500 sq.m.
Number of units	: 9,000 units
Estimated Completion	: June 2013
Description	: The largest residential community in the city, the project provides comfortable living environment for clients with different background.

Hua Nan Region

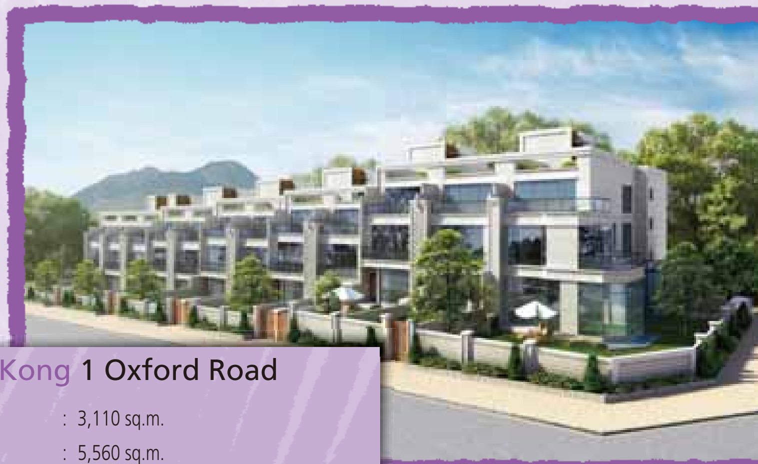
Foshan Gold Coast

Land area	: 408,000 sq.m.
GFA	: 1,391,000 sq.m.
Number of units	: 8,200 units
Estimated Completion	: December 2011
Description	: Gold Coast is a large river side residential development located at Guangzhou City West.

Zhuhai Yin Keng Development

Land area	: 108,000 sq.m.
GFA	: 369,000 sq.m.
Number of units	: 900 units
Estimated Completion	: December 2013
Description	: A row of town house and high-rise apartments with full seaview.

Hong Kong & Macau



Hong Kong 1 Oxford Road

Land area	: 3,110 sq.m.
GFA	: 5,560 sq.m.
Number of units	: 12 units
Estimated Completion	: 2010
Description	: Deluxe houses in Kowloon Tong.

Hong Kong 6 Stanley Beach Road

Land area	: 3,770 sq.m.
GFA	: 2,820 sq.m.
Number of units	: 10 units
Estimated Completion	: 2010
Description	: Seaview deluxe houses in the south region of the Hong Kong Island.

Property Investment

The Group will continue to operate a business structure with residential development as the main element, with investment property in a supplementary role. The direction of placing emphasis on investment property so as to provide **stable long-term income** to the Group remains unchanged.

Annual Summary

- Investment properties held as at the end of 2009 amounted to 240,000 sq m.
- Investment properties under development or to be developed totalled over 2.0 million sq m.
- Annual rental income was HK$195 million.
- Increases in the fair value of investment property amounted to HK$1.3 billion, mainly coming from the Beijing China Overseas Plaza and the China Overseas Building in Hong Kong.

Completed Investment Projects

Following the completion of the Beijing China Overseas Plaza at the end of 2008, the Group had an aggregate of 240,000 sq m of investment properties in Hong Kong and mainland China. Total rental income for the year was HK$195 million, representing a decrease of 3% from the previous year. Total rental income arising from Hong Kong amounted to HK$99 million, while that from the mainland amounted to HK$92 million, accounting for 51% and 47% of the total rental income respectively. Segment profit amounted to HK$1.5 billion, which included a net increase in fair value of properties of HK$1.3 billion. Operating profit was HK$160 million, representing a decrease of 5% from the previous year.

Beijing China Overseas Plaza

Location:	Chao Yang District, CBD of Beijing with Chang An Street to the south and the International Trading Centre to the east
Type of properties:	Grade A office building with some commercial facilities
Development area:	about 160,000 sq.m.

Investment Properties under Development

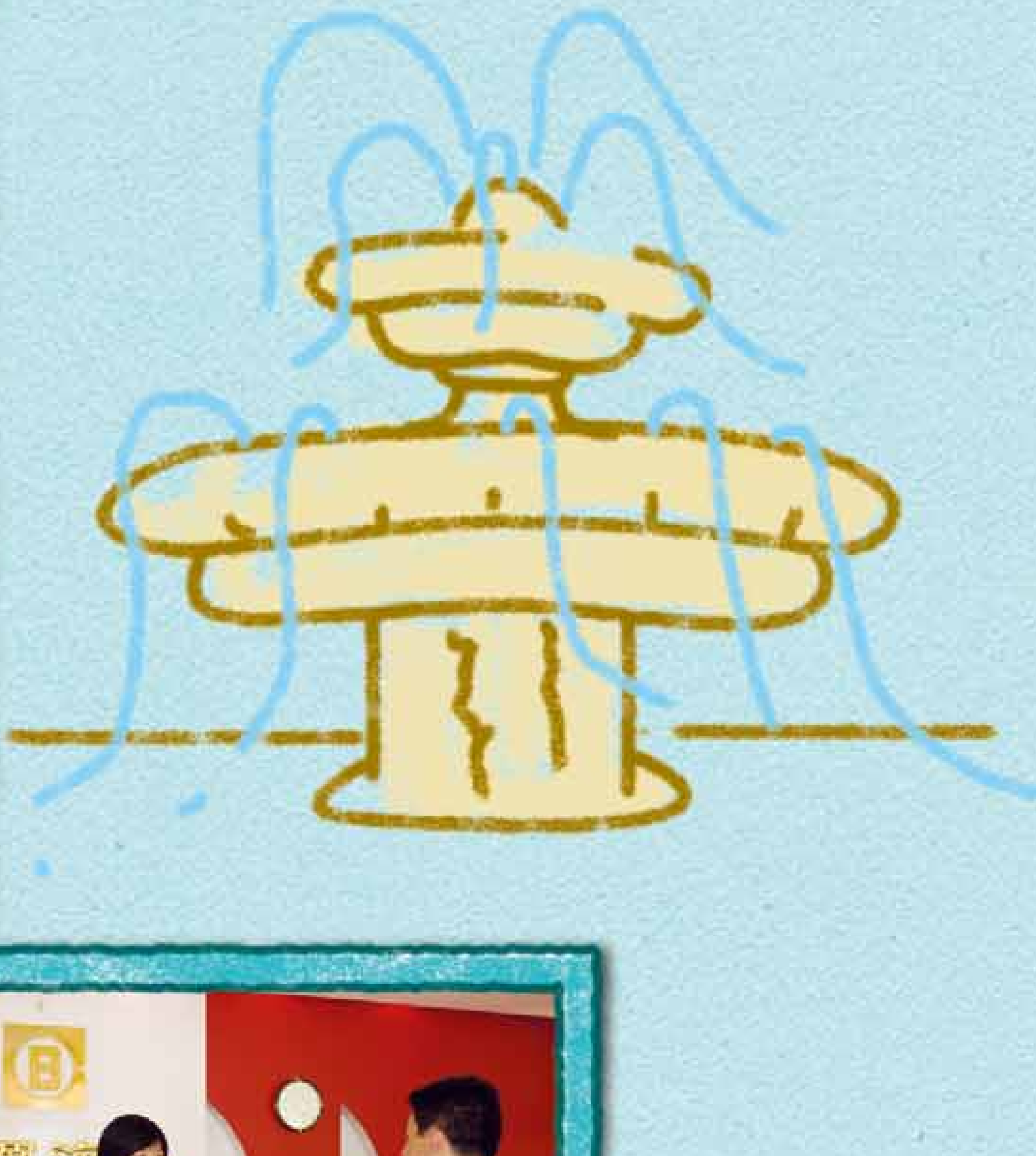
The Group will maintain its emphasis on investment property so as to provide stable long-term income. At the same time, the growth in developing residential projects for sale in the past few years has been much faster than anyone could have foreseen. Taking cash flow concerns into account, the pace of accumulating commercial property for long-term investment purposes has been much slower than expected. Currently, the GFA of the Group's commercial properties, both under development and to be developed in the next few years, is more than 2.0 million sq m. It is planned that around 1.0 million sq m will be retained in the form of investment properties, which together with the existing investment properties will contribute a stable rental income of no less than HK$1.2 billion per year to the Group from 2015 onwards.

Major investment properties under development

Shanghai East Jianguo Road Project

Location:	Northern district of 65 East Jianguo Road, Shanghai
Type of properties:	2 blocks of office building
Development area:	about 100,000 sq.m.
Target completion date:	Expected to be year 2011

Property-related Businesses



Construction Design

Incorporated in Hong Kong, Hua Yi is the only wholly foreign-owned design and consultancy company awarded a Grade-A Design Licence (甲級工程設計證書) by the PRC Ministry of Construction. Backed by a high-quality professional design team, the Hua Yi trademark has gained a solid reputation. Since its establishment 20 years ago, Hua Yi has completed projects across more than 20 large and medium-sized cities in mainland China and abroad, including Canada, Japan, Hong Kong and Macau.

Hangzhou Xiasha Heda City

China Development Bank Sanya Research Center

Property Management

China Overseas Property Management is a leading brand with a significant market share in the property management sectors of Hong Kong and the mainland. It plays a vital role in enhancing the branding advantages and asset value of the property units developed by the Group.

During the period, the Group recorded property management fee income of HK$566 million (HK$180 million from Hong Kong and HK$383 million from mainland China), representing an increase of 26% over 2008. The Group managed a total GFA of 17.86 million sq m (approximately 2.96 million sq m in Hong Kong and 14.90 million sq m on the mainland), representing an increase of 36% over 2008. China Overseas Property Management in Hong Kong is one of the biggest property management companies in the sector of shopping mall and car park management.

The Professional team for China Overseas Property Management.

Listening and caring are vital for serving our clients.

Group Finance

Structure of Borrowings

The Group continues to adopt a prudent financial policy and centralizes its funding and financial management. It continues to maintain a cash to total assets ratio of 10% and also a reasonable level of gearing. As at 31 December 2009, the Group's bank loans and guaranteed notes payable were HK$21.33 billion and HK$2.33 billion respectively and the repayment schedule was as follows:

Repayment Schedule	2009 (HK$ million)	2008 (HK$ million)
Bank loans		
Within one year	**4,364**	3,946
More than one year, but not exceeding two years	**8,153**	5,518
More than two years, but not exceeding five years	**8,817**	12,802
Total bank loans	**21,334**	22,266
Guaranteed notes		
7-year (US$300 million due to mature in July 2012)	**2,332**	2,329
Amount due to immediate holding company (interest free)	**9,659**	—
Total borrowings	**33,325**	24,595
Deduct:		
Bank balances and cash	**23,893**	9,048
Net borrowings	**9,432**	15,547
Equity attributable to owners of the Company	**42,093**	33,220
Gearing ratio (%)	**22.4%**	46.8%

The Group places great emphasis on liquidity management. In addition to maintaining a relatively high level of cash and adequate standby banking facilities, the Group also closely manages its loan maturity portfolio. Except for the lending policy in mainland China, the Group always raises long-term financing. At the end of 2009, only 20.4% of the loans were due within one year. The refinancing of such loans is easy and is not affected by the credit crunch in the financial market.

As at 31 December 2009, bank balances and cash of the Group amounted to HK$23,893 million (31 December 2008: HK$9,048 million).

Financial Ratios

Compared with 2008, the net current assets of the Group as at 31 December 2009 increased slightly to HK$43.06 billion, and the current ratio decreased from 2.40 times in 2008 to 1.86 times this year. The net gearing ratio of the Group was about 22.4%. The main reason was that from the second quarter of 2009 onwards, the China property market generally trended upwards, and the Group achieved excellent results in terms of both transaction volume and price of its sales. Receipts from property sales exceeded HK$43 billion. Interest cover (measured by the ratio of operating profit, adjusted to exclude interest income, to the total net interest expenses) was 16 times, as compared with 7 times for the previous year, **reflecting the combined effects of a significant increase in operating profit, reduced level of borrowings, and a decrease in funding costs during the year**.

The annual financial meeting establish the financial management strategy of the Group.

Available Funds

The global financial crisis resulted in a credit crunch in the financial market. With its sustained strong business performance and reputation, and its leading market position in the property development sector in China, the Group maintained the confidence and trust of banks in China and Hong Kong. With ample cash inflow during the year, and given that land acquisition was resumed only in August 2009, not much new financing was needed during the year. The Group raised HK$2.4 billion in Hong Kong and HK$1.78 billion in China. After repaying the matured loans, bank borrowings decreased slightly while bank and cash balances showed some increases. The financial position of the Group was hence greatly strengthened. The Group strives to maintain adequate standby facilities, while exploring other financing means and channels as well as seeking to lower its financing costs at all times. Interest expenses for the year were greatly reduced by 38% to HK$829 million.

The Group continued to excel in its liquidity management, expediting cash inflow from projects while tightly controlling expenditure on development and operations. As at 31 December 2009, the Group's bank balances and cash reserves were HK$23.89 billion. Together with HK$2.66 billion of unutilized banking facilities, the available funds reached HK$26.55 billion. This financial strength and a stable financial structure act as a strong foundation for the Group to accelerate sustainable development. The Company is the only Hong Kong listed company in the China property development sector for which Moody's and Standard and Poor's continued to affirm the investment grade rating. On 25 January 2010, Moody's Investors Service upgraded the Company issuer and bond ratings to Baa2/stable. The upgrade reflects Moody's agreement with the Group's leading market position in China's property sector and its stable financial profile.

The proportion of each currency is listed below:

	Bank loans and Guaranteed notes	**Bank balances and cash**
Hong Kong dollars	60.58%	12.21%
Renminbi	29.56%	79.33%
Macau patacas	—	0.01%
US dollars	9.86%	8.45%
Total	100%	100%

The Group is optimistic about renminbi appreciation in the medium term and, taking into account lower financing costs, the Group will raise more money in non-renminbi currencies while at the same time reducing its borrowings in renminbi.

Financial Structure

The Group places great emphasis on financial security. The financial structure and strength of the Group has been enhanced through the various capital fund raising exercises. In December 2008, the Group announced an "open offer" scheme whereby the Company would issue about 314 million shares at a price of HK$8 each. About HK$2.5 billion in equity was raised in January 2009 through this exercise. The equity attributable to shareholders of the Company was increased from HK$10.07 billion at end of 2004 to HK$42.09 billion at the end of 2009, thus greatly enhancing the financial strength of the Group.

Exposure to Fluctuations in Exchange Rates and Interest Rates and the Related Hedges

The Groups' bank borrowings were all made at floating rates. The financing cost for the bank loans and financial debt of the Group was 2.9% for 2009 (total financial costs ÷ average borrowings).

The major currency exposure of the Group come from its investment in the property projects in mainland China and the US dollar-denominated guaranteed notes. As the trend of interest rates may change and the US dollar–renminbi exchange rate continues to fluctuate, the Group will prudently consider appropriate times to enter into currency and interest swap arrangements to hedge against such exposure.

Contingent Liabilities

As of 31 December 2009, the Group provided buy-back guarantees to banks granting mortgage loan facilities to buyers purchasing the Group's properties in mainland China, which amounted to HK$7.98 billion. The Group's outstanding counter indemnities for surety bonds issued in respect of property management contracts amounted to HK$53.6 million. In addition, contingent liabilities relating to guarantees given and indemnities provided in respect of the guaranteed notes issued by certain associates amounted to HK$2.33 billion. The Group has never suffered any loss in the past in relation to permission of similar guarantees or indemnities.

Customer Service and Relationships

"China Overseas Property" is a leading brand name in the mainland China property sector. During the year, China Overseas Property was acknowledged as number one among "China's 20 Most Valued Property Brands" and the brand value of China Overseas Property reached 14.05 billion yuan. The brand value of an enterprise is based on its image in the community, its capability to act with a high level of corporate citizenship and effective corporate governance. Another important consideration is its ability to maintain the quality of its products as its operational scale grows.

The Group's projects receive numerous awards every year. This is because the Group maintains high standards in its design, management and overall quality. The Group will not change its insistence on high quality even as the scale of its operation grows. It tries its utmost and explores every avenue to improve the quality of its projects so that each project stands out and sets the pace among high-end products in the area.

The Group recognises that it must continuously enhance its customer relationship management and uphold its customer focused strategy if customers' needs are to be satisfied. By collecting customer demand data and sharing it with all the departments in the Group, the Group can provide the premium products that our customers desire. In the past, the China Overseas Property Club (COPC) was set up in cities in which the Group has operations. COPC has welcomed over 100,000 residents in the projects developed by the Group. The various activities arranged on the estates both enhance residents' quality of life and generate valuable feedback about the projects and residents' dream home. The Group will establish an independent customer service department to receive comments from the residents, address their concerns and to provide customers with the latest developments in the Group's projects to ensure that the Group can provide customers with the best products and a comprehensive range of excellent services.

In 2009, COPC arranged many activities in the estates developed by the Group.

On 28 November 2009, to celebrate the fifth anniversary of China Overseas Suzhou, a "Fortunate China Overseas Family" event was arranged in which over 100 families participated. The participants tried their best to explain why they believe they are most fortunate in their family life.

In November 2009, the First China Overseas Community Cultural & Arts Festival was launched in the Gold Coast of Foshan, Guangdong.

On 30 September 2009, the Changchun Der Rhein Estate arranged an event called “Happy Kids, Merry Childhood”. Parents and children in the estate enjoyed a fun-filled day together.

On 12 June 2009, the Beijing City office joined with Bank of China to arrange a “Fund Management Salon” event in the Walden Pond Villa Estate. COPC members heard a lecture on fund management skills under the current market and economic conditions.

To thank the residents for their support to the Group and to give them a better feel for our high-end products, residents were invited to join an event called “Experience the Quality of China Overseas Projects”. From 8 to 10 May, residents visited some of the Group’s projects in Shenzhen and had a tour around Hong Kong.

Directors and Organization

Mr. LIN Xiaojeng, Mr. DONG Daping, Mr. CHEN Bin, Mr. LUO Liang, Mr. NIP Yun Wing,
Mr. XIAO Xiao, Mr. KONG Qingping, Mr. HAO Jian Min

Board of Directors

Executive Directors

Mr. KONG Qingping

Chairman

Aged 54, holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture and a degree of Executive Master of Business Administration from Harbin Institute of Technology. Mr. Kong is a guest professor at both Harbin Institute of Technology and Hong Kong Polytechnic University and is a fellow member of the Chartered Institute of Building (UK). Mr. Kong joined China State Construction Engineering Corporation ("CSCEC") in 1982 and was seconded to Hong Kong in 1987. He became the Executive Director and General Manager of China Overseas (Hong Kong) Limited, then subsidiary of the Group, in 1997. Mr. Kong was appointed Vice Chairman and Chief Executive of the Company from 2001 and was appointed Chairman of the Company and continues to serve as Chief Executive of the Company from March 2005. In June 2007, Mr. Kong decided he would no longer concurrently act as Chief Executive of the Company. Besides acting as the Chairman and Nomination Committee member of the Company, Mr. Kong is currently the Chairman and Non-Executive Director of China State Construction International Holdings Limited, and the Honorable Chairman (but not a Director) of Shell Electric Mfg. (Holdings) Company Limited. Mr. Kong is also the Vice President of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668), a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has more than 28 years' extensive experience in management of corporate affairs, construction projects and property development. In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. He is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed in January 2008 as a National Committee Member of the Chinese People's Political Consultative Conference and a Standing Committee Member of Chong Qing Committee of Chinese Political Consultative Conference.

Mr. HAO Jian Min

Vice Chairman & Chief Executive Officer

Aged 45, graduated from Shenyang Institute of Construction Engineering and is a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined the Group in 1989. He was appointed Director of a subsidiary of the Company in 2002 and certain others subsequently. Mr. Hao was appointed Executive Director of the Company in September 2005 and Vice Chairman of the Company in November 2006. In June 2007, he was appointed as Chief Executive Officer of the Company. Mr. Hao was the Chairman of the Remuneration Committee of the Company from 22 March 2007 to 1 February 2009 and is now a member of the Remuneration Committee. He is currently the Executive Director, Vice Chairman and Chief Executive Officer of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. He has about 23 years' experience in construction and property business. Mr. Hao was appointed Chairman and Non-Executive Director of **Shell Electric Mfg. (Holdings) Company Limited in February 2010.

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Mr. XIAO Xiao

Vice Chairman & Senior Vice President

Aged 53, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the Group in 1990. He was appointed Director of certain subsidiaries of the Company since 1994. Mr. Xiao was appointed Executive Director of the Company in February 2005, was appointed Vice Chairman of the Company in March 2007 and has been appointed the Senior Vice President of the Company in August 2009. He is currently the Executive Director, Vice Chairman and Senior Vice President of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. He has about 28 years' experience in construction and property business.

Mr. CHEN Bin

Vice President

Aged 40, BEng. (Southeast University), MBA (Kellogg-HKUST), Senior Engineer. He joined China State Construction Engineering Corporation in 1993. Mr. Chen was seconded to the Group in 1997 and appointed a director of a subsidiary of the Company in 2001. Mr. Chen has been appointed Executive Director of the Company in November 2006 and has been appointed the Vice President of the Company in August 2009. He is currently the Executive Director and Vice President of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited. He has about 17 years' management experience in construction business and personnel administration. Mr. Chen was appointed Executive Director and Chief Executive Officer of **Shell Electric Mfg. (Holdings) Company Limited in February 2010.

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Mr. DONG Daping

Vice President

Aged 50, graduated from Heilongjiang University and holds a Master of Engineering Management degree from Harbin Institute of Technology, Senior economist. Mr. Dong joined China State Construction Engineering Corporation in 1983, joined the Group in 2001 and was appointed director and deputy general manager of a subsidiary of the Company in September 2002. Mr. Dong was appointed Executive Director and member of the Nomination Committee in August 2009 and the Vice President of the Company subsequently. He is currently the Executive Director, member of the Nomination Committee and Vice President of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. He has about 27 years' management experience in corporate human resources and administration.

Mr. NIP Yun Wing

Chief Financial Officer

Fellow of the Hong Kong Institute of Certified Public Accountants

Fellow of the Association of Chartered Certified Accountants

Aged 55, holds a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Nip joined the Company in March 2002 and was appointed executive director and deputy financial controller in June 2002. Mr. Nip resigned on 17 September 2004 to further his own objective. He joined China Overseas Holdings Limited on 1 August 2006 as the general manager of finance and treasury department and was seconded to the Company to look after finance and treasury matters of the group. Mr. Nip was appointed Executive Director and the Chief Financial Officer of the Company in August 2009. Mr. Nip has extensive experience in corporate finance, investment and management and had served as an executive director for several listed companies in Hong Kong. Mr. Nip is an independent non-executive director and a member of the Audit Committee of **Shenzhen International Holdings Limited.

** *company listed on The Stock Exchange of Hong Kong Limited*

Mr. LUO Liang

Vice President & Chief Architect

Aged 45, graduated from Huazhong Polytechnic University (now known as Huazhong University of Science and Technology), holder of master degree, professor level Senior architect. He joined the Group in 1999. Mr. Luo has been appointed as Executive Director of the Company in March 2007 and has been appointed the Vice President of the Company in August 2009. He is currently the Executive Director, Vice President and Chief Architect of the Company. Mr. Luo has about 21 years' architectural experience.

Mr. LIN Xiaofeng

Vice President

Aged 45, graduated from Peking Economics University (now known as Capital University of Economics and Business) and holds a Master of Business Administration degree from University of South Australia in Australia. Mr. Lin joined China State Construction Engineering Corporation in 1988, joined the Group in 1990 and was appointed director and financial controller of a subsidiary of the Company in 2003. Mr. Lin was appointed Executive Director of the Company in August 2009 and the Vice President of the Company subsequently. He is currently the Executive Director, Vice President of the Company, and a director of certain subsidiaries of the Company. He has about 22 years' management experience in corporate finance and accounting.

Non-Executive Director

Mr. WU Jianbin

Vice Chairman

Aged 47, graduated from Shanxi University of Finance and Economics (now known as School of Management, Xi'an Jiaotong University) and is a MBA and DBA graduate from the Macau University of Science and Technology. Mr. Wu joined China State Construction Engineering Corporation in 1984 and was seconded to the Group in 1987. He was appointed Director and Financial Controller of China Overseas Holdings Limited in 2001 and appointed Executive Director and Financial Controller of the Company in 2002. He resigned as Financial Controller of the Company and was re-designated as Non-Executive Director and Vice Chairman of the Company in 2009. He is currently a Non-Executive Director and Vice Chairman of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. Mr. Wu has about 26 years' management experience in corporate finance, accounting and investment. He was awarded the "2006 CFO of the Year" Award jointly assessed by China CFO Magazine, China CFO International Summit Committee, Sina.com, ccfo.com.cn and China CFO Club (cfoclub.com.cn) in 2006, and was awarded "the Achievement Award for Financial Management of 30th Anniversary of China's Reform and Opening up" assessed by China Association of CFO in December 2008.

Independent Non-Executive Directors

Dr. The Hon. David LI Kwok-po

GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. DSc. (Imperial), Hon. DBA (Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. DSocSc (Lingnan), Hon. LLD (Hong Kong), Hon. LLD (Warwick), Hon. LLD (Cantab), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, JP, Officier de L'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Officier de la Légion d'Honneur

Aged 71, joined the board of directors as an independent non-executive director of the Company on 30 July 1992 and has served the Company for almost 18 years. Dr. Li is also the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. He is the Chairman and Chief Executive of The Bank of East Asia, Limited and he is also a director of many other companies including: AFFIN Holdings Berhad (listed on Bursa Malaysia Securities Berhad), **COSCO Pacific Limited, Criteria CaixaCorp, S.A. (listed on the stock exchange of Madrid, Barcelona, Bilbao and Valencia), **Guangdong Investment Limited, **The Hong Kong and China Gas Company Limited, **The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, IMG Worldwide Holdings, Inc., **PCCW Limited, **San Miguel Brewery Hong Kong Limited, **SCMP Group Ltd. and **Vitasoy International Holdings Limited. He serves on the international advisory boards of a number of companies, including Crédit Agricole S.A. and the Federal Reserve Bank of New York's International Advisory Committee. He is a Member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. He was a director of **China Merchants China Direct Investments Limited and Dow Jones & Company, Inc..

** *companies listed on The Stock Exchange of Hong Kong Limited*

Mr. LAM Kwong Siu
SBS

Aged 75, joined the board as an independent non-executive director of the Company on 30 September 2003 and has served the Company for almost 6 years. Mr. Lam is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He was the Delegate of the Tenth National People's Congress. He is the Vice Chairman of BOC International Holdings Limited, the Honorary Chairman of Hong Kong Federation of Fujian Associations, the Chief Supervisor of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association and the Honorary President of the Chinese Bankers Club of Hong Kong, and the Non-Executive Director of Bank of China International Limited (formerly known as BOCI Capital Limited), Hong Kong CITIC Ka Wah Bank Limited, Citic International Financial Holdings Limited (withdrawal of listing on 5 November 2008), **Fujian Holdings Limited, **Xinyi Glass Holdings Limited and **Yuzhou Properties Company Limited. Mr. Lam has over 50 years' continuous banking and finance experience.

** *companies listed on the Stock Exchange of Hong Kong Limited*

Dr. WONG Ying Ho, Kennedy
BBS, DCL, JP

Aged 47, joined the board as an independent non-executive director of the Company on 5 January 2004 and has served the Company for almost 6 years. Dr. Wong is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 2 February 2009. He is a solicitor and China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He was appointed as a National Committee Member of the Chinese People's Political Consultative Conference in January 2008. Dr. Wong is the chairman of **Hong Kong Resources Holdings Company Limited, and also is a director of **Asia Cement (China) Holdings Corporation, Bohai Industrial Investment Fund Management Company Limited, **Goldlion Holdings Limited, **Great Wall Technology Company Limited, **Qin Jia Yuan Media Services Company Limited, [#]Pacific Alliance Asia Opportunity Fund Limited, [#]Pacific Alliance China Land Limited and Hong Kong Airlines Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Computime Group Limited and **International Financial Network Holdings Ltd..

** *companies listed on The Stock Exchange of Hong Kong Limited*
[#] *companies listed on AIM, London Stock Exchange*

Dr. FAN HSU Lai Tai, Rita
GBM, GBS, JP

Aged 64, joined the board as an independent non-executive director of the Company on 2 February 2009. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit Committee and the Remuneration Committee of the Company. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

In the lead-up to Hong Kong's reunification with China, Dr. Fan played a valuable role as a Member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("NPC") between 1998 and 2007, and is now a Member of the Standing Committee of the Eleventh session of the NPC. Dr. Fan is also the first female steward of The Hong Kong Jockey Club.

Outside the political arena, she is an Honorary Advisor to Junior Chamber International Hong Kong and Patron of the Hong Kong Kidney Foundation, the Hong Kong Transplant Sports Association and the Whole Person Education Foundation. She was Chairman of the Board of Education from 1986 to 1989 and Chairman of the Education Commission from 1990 to 1992.

After graduating from St. Stephen's Girls' College, Dr. Fan studied at the University of Hong Kong, and was awarded a Bachelor degree in Science, and later on, received a Master degree in Social Science. She also received the Honorary Doctorate in Social Science from the University of Hong Kong, the City University of Hong Kong and the Hong Kong Polytechnic University respectively, and an Honorary Doctorate in Law from the China University of Political Science and Law of the People's Republic of China. Her record of public service has been acknowledged by the HKSAR Government through the award of the Gold Bauhinia Star in 1998 and Hong Kong's top award, the Grand Bauhinia Medal, in 2007.

She is also an Independent Non-Executive Director, a Member of the Audit Committee, the Remuneration Committee and the Nomination Committee of **COSCO Pacific Limited.

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Senior Management

Mr. GE Yafei

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Dong region)
Aged 46, graduated from Tsinghua University and Beijing University of Technology, holder of master degree, professor level senior engineer. He joined China State Construction Engineering Corporation in 1989 and was seconded to the Group in 1990, and is also a director of certain subsidiaries of the Group. Mr. Ge has about 21 years' management experience in construction business.

Mr. HU Ping

Director and General Manager of COB Development (Shanghai) Co., Ltd.
Aged 54, graduated from Beijing Normal University, engineer. He joined the Group in 1992. Mr. Hu has about 26 years' management experience in construction business.

Mr. ZHANG Yi

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
Aged 43, graduated from Tianjin University of Finance & Economics and Beijing Economics University (now known as Capital Business and Economics University), holder of master degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. He has about 16 years' management experience in public and investment strategy business.

Mr. QU Yonghai

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Nan region)
Aged 39, graduated from Harbin Institute of Technology, senior engineer, is a MBA from Tsinghua University. He joined the Group in 1993, and is also a director of certain subsidiaries of the Group. Mr. Qu has about 17 years' experience in purchasing and investment strategy management.

Mr. QI Dapeng
Vice President of China Overseas Land & Investment Ltd.
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Northern region)
Aged 39, graduated from Jinlin University and Harbin Institute of Technology, holder of master degree, senior accountant. He joined the Group in 1997 and is also a director of certain subsidiaries of the Group. Mr. Qi has about 18 years' experience in finance and corporate management.

Mr. YAN Jian Guo
Vice President of China Overseas Land & Investment Ltd.
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Bei region)
Aged 43, graduated from Chongqing University of Engineering and Architecture (now known as Chongqing University) and Peking University, holder of master degree, senior engineer. He joined China State Construction Engineering Corporation in 1989 and was seconded to the Group in 2001 and is also a director of certain subsidiaries of the Group. Mr. Yan has about 21 years' management experience in construction business.

Mr. XIANG Hong
Deputy Financial Controller of China Overseas Land & Investment Ltd.
Director and Deputy Financial Controller of China Overseas Property Group Co., Ltd.
Aged 43, graduated from Hangzhou institute of Commerce and Murdoch University in Australia, holder of master degree, senior accountant. He joined China State Construction Engineering Corporation in 1990 and joined the Group in 1993. Mr. Xiang was appointed Executive Director and Financial Controller of ** Shell Electric Mfg. (Holdings) Company Limited in February 2010. He has about 20 years' experience in corporate financial management.

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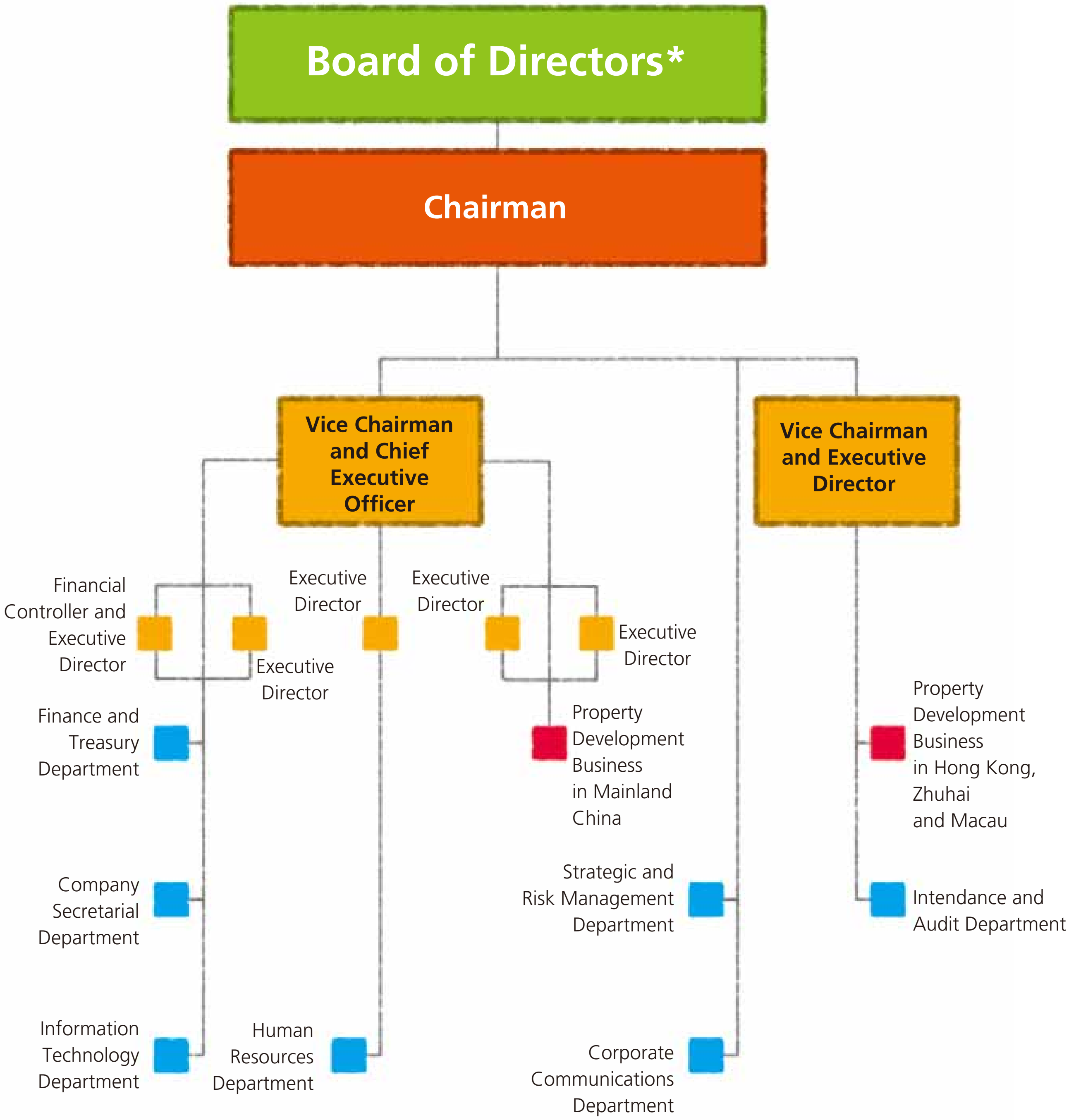
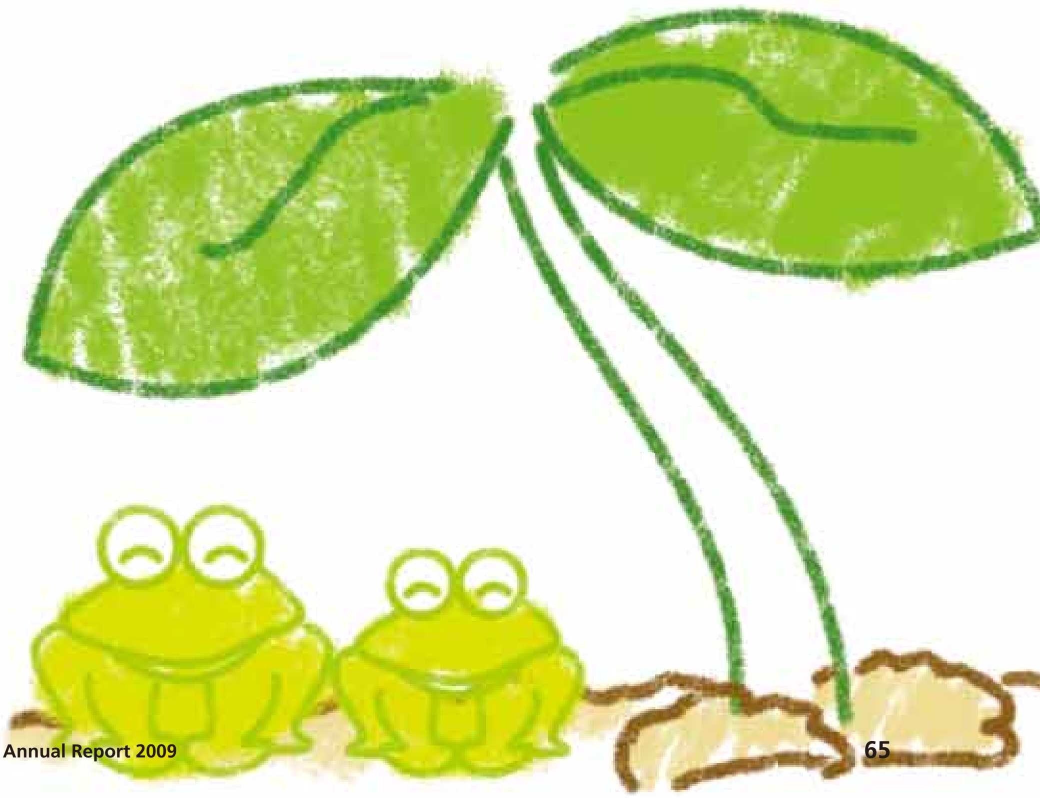
Mr. GUO Yong
Assistant President of China Overseas Land & Investment Ltd.
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Western region)
Director and General Manager of China Overseas Property Co., Ltd. (Chongqing)
Aged 46, graduated from Chongqing University of Engineering and Architecture (now known as Chongqing University) and Troy State University, holder of master degree, senior engineer. He joined the Group in 1993 and is also a director of certain subsidiaries of the Group. Mr. Guo has about 26 years' management experience in construction business.

Organization Chart of China Overseas Land & Investment Ltd.



* *Consists also of one non-executive director and four independent non-executive directors.*


我自信 我成功
都江堰中国海外新建特殊教育学校
新年祝福绘画比赛



Corporate Citizenship (continued)

"To serve the community" has been the corporate mission of the Group for the past 30 years. The Group continues to uphold its corporate social responsibility and to share its success with the community, its shareholders, business associates and staff. The Group shows its concern and care to the underprivileged groups through its active participation in public charity and community services. The brand of "海無涯，愛無疆" ("The sea has no limit and love has no boundary") has been successfully established and the Group was acknowledged as one of the "Top 20 Corporate Socially Responsible Property Enterprises in China in 2009".

To date, the Group has donated over HK$110 million for poverty alleviation, educational subsidies, public charity and similar activities including building of five China Overseas Hope Schools in mainland China. As a property developer, the Group develops top-quality properties which emphasise environmental protection, energy conservation and sustainability of the natural environment. During the construction process, design, development and management of projects, the Group strives to apply "low-carbon construction" techniques that help build a green community.

China Overseas Property Management Co. Ltd, a subsidiary of the Group in China, was ranked number one for two consecutive years as "The most competitive Top 100 Property Management Company in China", ranked number one amongst the Top 10 in terms of operational scale and amongst the Top 10 in terms of degree of service satisfaction.

Charitable Activity

Charity donation

The Group continues to organise a large team to join the annual "Community Chest Walks for a Million" event, the largest charity activity in Hong Kong. The money raised this year was applied towards improving services for the elderly through social welfare bodies in Hong Kong. During the year, the city offices of China Overseas Property actively participated in local charity activities.

Educational contributions

The China Overseas Sanxia Hope School sponsored by the Group was completed in September 2009. The school has a full set of facilities and can take up to 600 students, including 250 boarders. It is the only Hope School in the country which caters for Sanxia Ku district immigrants and helps improve the local education facilities.

The "Special Education Primary School" in Du Jiangyan City in Sichuan province was also completed in September 2009. The Group donated over 20 million yuan towards the rebuilding of this school following the Sichuan 5.12 earthquake. In additional to taking back the original students, the school is open to all the disabled children in the area.

China Overseas Sanxia Hope School sponsored by the Group was completed in September 2009.

The "Special Education Primary School" in Du Jiangyan City in Sichuan Province opens to all the disabled children in the area.

The Group continues to promote communication between its own staff and the teachers and students in all the China Overseas Hope Schools. This is aimed at showing care and concern to the students so that they will be brought up in a healthier environment and be more positive towards the community. The Group will continue to contribute towards education in the suburbs and less developed areas in China so as to bring more hope to the children there.

For many years the Group has supported "China Overseas Scholarships" at nine renowned universities in China. The Group also donated 500,000 yuan towards the "New Great Wall Scheme – Self-Strengthening for University Students Facing Special Difficulties" which is sponsored by the China Foundation for Poverty Alleviation.

Voluntary Work

China Overseas Property Services Ltd, a subsidiary of the Group in Hong Kong, selected 10 members in the "Charity Team" to join the charity event "Starting from your heart in Hong Kong". They helped to distribute "Live Well" pamphlets all over Hong Kong urging Hong Kong citizens to be more relaxed and to live positively. The Charity Team actively participates in all sorts of community services to help build a more harmonious society in Hong Kong, displaying the Group's commitment to discharging its corporate social responsibility. On International Women's Day, Group staff took part in the "Pamela Youde Nethersole Eastern Hospital Art in the Hospital Event" organised by a charitable organisation. Through this event, the environment of the hospital was beautified and the patients had the opportunity to feel artistic creativity and soothe their spirits.

A large team joined "Walks for a Million" charity walk in Hong Kong.

Group staff took part in the "Art in the Hospital" event in the "Pamela Youde Nethersole Eastern Hospital".

Human Resources and Staff Development

Human Resources Strategy

The Group firmly believes that the quality of human resources and the level of knowledge capital are important benchmarks in assessing the competitiveness of an enterprise. Long term development of the Group and personal development of the staff are closely interrelated and mutually reinforcing. This is a pre-eminent feature of the Group's corporate culture and human resources management style.

Human Resources Management

The value of human resources in an organisation is effectively realised through the satisfaction of the actual and potential requests of both the corporation and its staff in a controlled manner. This is done mainly through systematic recruitment, training and incentive schemes which are key drivers for the healthy and sustainable development of the corporation; at the same time, continued concern and close attention to personal development can enhance the capability of the staff. Personal capability can be enhanced through skills development, training and job rotation.

Employees

At the end of 2009, the Group had a total of 11,097 staff, including 1,440 in the property business, 9,034 in property management, 360 in Hua Yi Design and 263 in the infrastructure business. By geographical location, 1,182 employees were working in Hong Kong and Macau and 9,915 employees were working in mainland China. The middle and senior managerial staff in all business lines and departments remained stable through the year.

Staff Training and Development

The Group encourages and supports pursuit of personal enhancement and life-long learning by its entire staff. A training website was built in 2009 that delivered a total of 14,546 training places on 749 courses. This allowed staff from all levels to share information and knowledge in the different areas of the Group, including construction management, planning and design, financial investment, branding, commercial property and sales planning. To build up potential senior management, the Group also organised senior management in the Group to present a training session to middle management.

Senior Management training session.

"Sons of the Sea" and "Sea's Recruits" Schemes

The "Sons of the Sea" scheme has been in place for five years and has become an influential and esteemed employer brand name in universities in China. In 2010 this scheme will cover more than 40 top universities in China. Close to 30,000 students registered at the website and 13,670 students agreed to be assessed. For the first time, this scheme was opened to international channels and more than 50 students from top overseas institutions such as Oxford University and Michigan State University participated. It is expected that about 160 top students will be selected to join China Overseas Property, fuelling the sustainable and stable development of the Group with a valuable human resources reserve. The "Sea's Recruits" scheme targets candidates with the necessary relevant experience and 177 staff at middle to senior level were recruited this year.

The China Overseas Institute of Management

Since April 2008, the Nankai-China Overseas EMBA has conducted a series of 17 four-day courses, to deliver valuable training for senior managerial staff in the Group. The EMBA course has proven an important new path to training up new senior management for the Group, thus providing a solid human resource foundation for the Group's sustainable development.

"Sons of the Sea" scheme recruits staff at middle to senior level.

The Group Annual Dinner provided an opportunity for the staff to take part in this festive event.

Environmental Protection

The Group adheres to its mission of protecting the natural environment, promoting reductions in energy consumption and building a harmonious community. To this end the Group includes environmental aspects such as a "low carbon footprint" and "green construction technology" into the design and construction of its property projects. To promote staff awareness of the need to protect the environment, the Group launched a series of environmental protection activities such as "China Overseas Environmental Protection Day", the "China Overseas Garden Scheme", and "Hong Kong Carbon Reduction Campaign". On estates managed by the Group's property management companies, through the active promotion of recycling of old clothes, waste batteries and used computers, the concept of environmental protection has become widespread.

China Overseas Garden Scheme

The China Overseas Garden Scheme was initiated on China Overseas Environment Protection Day in Tai Po Fung Yuen Butterfly Reserve. The volunteer teams then continued with the exercise regularly for tree planting and maintenance to improve this natural environment.

Carbon Reduction

Group staff are encouraged to take part in the carbon emissions reduction exercise. Through extensive exercises and information pamphlets on carbon emissions reduction, staff come to know better with what they can do to contribute towards the relief of global climate change and carbon release.

Gold Coast residents participated in the tree plantation day to create a pleasant environment for the community.

Volunteer teams fully supported "China Overseas Environmental Protection Day" and "China Overseas Garden Scheme".

Investor Relations

The Group attaches great importance to maintaining good investor relations. The Corporate Communications Department was founded this year based on the original functions of IR and PR to further strengthen the communication with shareholders, investors and media and enhance the Group's operating and business transparency.

The Group discloses important corporate information through annual and interim reports. After the annual and interim result announcement, the Group organizes press conference and briefing with investors and analysts, and participates in roadshows to Asia, Europe and America to meet with investors, enabling investors to understand better the market and the Group's latest business development. The Group also releases monthly sales and new land acquisitions through e-mails and website to investors and media, and discloses major operation and business on a timely basis. In 2009, the Group conducted over 100 visits or telephone conferences with investors, organized more than 200 site visits to our property projects in Mainland China, and took part in more than 20 investor conferences organized by reputable investment banks.

Through investor relations activities, the interaction between the Group and investors has been deepening and the Group's operating and business transparency is enhanced. The directors and senior management of the Group can access the shareholders` concerns and valuable suggestions in a timely manner from regularly meeting with analysts, investors and media. Monthly Market Express, providing timely feedbacks from capital market to management, is compiled by Corporate Communications Department in order to design operating and development strategies in the interest of shareholders, and to continuously improve corporate governance.

Major Investor Relations Activities in 2009

Month	Activities
January	Goldman Sachs China Property Focus Day UBS Greater China Conference 2009 Deutsche Bank Access China Conference 2009 Merrill Lynch HK/China Corporate Day
March	Announcement of the 2008 annual results • Press conference • Briefing with fund managers and analysts Post Results Roadshow in HK (with UBS) and Singapore (with DBS Vickers) Credit Suisse Asian Investment Conference 2009
April	Post Results Roadshow in Japan, US and Europe (with Nomura, DB & Citigroup)
May	Citigroup Asian Market Gainers Mini- Conference 2009 DB Access Asian Property Corporate Day Macquarie China Conference
July	Morgan Stanley China Property Corporate Day BNP Paribas' China Property Corporate Day
August	Announcement of the 2009 interim results • Press conference • Briefing with fund managers and analysts Post Results Roadshow in HK (with HSBC)
September	Post Results Roadshow in Singapore (with JP Morgan) CLSA Investors' Forum 2009 Citigroup Chongqing Western China Investor Conference 2009
October	BNP Paribas Securities (Asia) Ltd–16th Annual China Conference — Changsha
November	Morgan Stanley Asia Pacific Summit, Singapore Daiwa Securities SMBC/Daiwa Investment Conference 2009

Corporate Governance Report

General

The Company always place importance on the interests of the shareholders and other stakeholders. The Board recognises its prime duty is to safeguard and best utilise resources in the Group and to enhance shareholders' value. Good corporate governance is the key to improve corporate profit and to enhance sustainable development. Thus the Group has always been dedicated to pushing forward and improving corporate governance at three levels. Firstly, the Company ensures compliance with respective laws, regulations and the highest standard of ethics. Secondly, the Board of the Company continues to strengthen systematic mechanisms to ensure that all decisions are in the interests of shareholders. Lastly, the Company enhances its core competitiveness and stakeholders' value under the principles of corporate governance.

In line with the best corporate governance practice, the Company has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The Board and all subordinate committees evaluate and monitor their respective effectiveness on a regular basis in accordance with their terms of reference.

In the past years, the Group has done its best to promote corporate transparency, to enhance the independence of the Company's operations, to establish an effective accountability system, and to improve the Group's internal control and risk management. To enhance the independence of the Board of the Company, an additional Independent Non-Executive Director was appointed on 2 February 2009.

Corporate Governance Practice

The Company has complied throughout the year with all the provisions (except Code Provision A.4.1 and A.4.2 as set out in the section headed "Appointment, re-election and removal" under The "Board of Directors" section below) of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, and with most of the Recommended Best Practices.

The Board of Directors

Responsibilities and Division of Work

The Board is responsible for leading the Group's development, establishing the Group's strategic goals, by formulating overall strategies and policies of the Company to ensure the availability of financial and other resources necessary for the Group to achieve pre-set strategic goals. The Board is also responsible for supervising the work of the management and reviewing business performance of the Company.

The different duties and roles of the Chairman of the Board (the "Chairman") and the Chief Executive Officer have been clearly defined. The Chairman is responsible for providing leadership in the Board to set strategies and achieve the Group's goals and his duties include: overseeing and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; ensuring the availability of accurate, timely and clear information to induce effective contribution from the Board members; monitoring the execution of the Board's resolutions; and maintaining effective communication with shareholders. The Chief Executive Officer, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementing the strategies laid down by the Board. The management performs their duties in managing the actual operations of businesses.

During the year, the Board provided strategic guidance on the operation of the Company, reviewed and supervised the implementation of all lines of businesses.

Internal Control

The Board is responsible for the Group's system of internal control and is committed to managing business risks and maintaining sound and effective internal control system to safeguard the shareholders' investment and the Group's assets.

During the year, the Board conducted periodic reviews of the Group's internal control system, including financial, operational and compliance control, and risk management functions.

The internal control system is designed to provide reasonable assurance that there is no material mis-statement or loss, to manage risks relating to failure in operational systems and to ensure achievement of the Group's objectives.

The Internal Audit Department performs regular audit reviews and report of the key controls of the Group to the Board and the Audit Committee. The responsible Department Heads will be notified of the control deficiencies noted for rectification.

In compliance with the Code on Corporate Governance Practices, the Board continuously reviews the effectiveness of the Company's system of internal control (including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function). The Company has initiated actions to further improve and strengthen its internal control effectiveness by paying greater attention to the management of operational, business and policy risks, and by applying functional and organizational mechanisms to conduct and evaluate relative analysis.

Board composition

The Board has 13 Directors, including 8 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors, as follows:

- eight Executive Directors — Mr. Kong Qingping (Chairman), Mr. Hao Jian Min (Vice Chairman and Chief Executive Officer), Mr. Xiao Xiao (Vice Chairman), Mr. Chen Bin, Mr. Dong Daping (appointed on 17 August 2009), Mr. Nip Yun Wing (appointed on 17 August 2009), Mr. Luo Liang and Mr. Lin Xiaofeng (appointed on 17 August 2009);

- one Non-Executive Director — Mr. Wu Jianbin (Vice Chairman) (re-designated from Executive Director on 17 August 2009); and

- four Independent Non-Executive Directors — Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy and Dr. Fan Hsu Lai Tai, Rita (appointed on 2 February 2009).

The Board believes that the balance between Executive and Independent Non-Executive Directors is reasonable and adequate. Other than providing sufficient checks and balances to safeguard the interests of shareholders, other stakeholders and the Group, such board composition also establishes a good base for the sustainable development of the Group.

The Directors' biographical details are set out on pages 52 to 60 of the report.

Board Meetings and Committee Meetings

The Board convenes meetings on a regular basis. The date of each meeting is decided in advance and notice of at least 14 days is given so that most of the Directors entitled to attend the meetings have the chance to attend such meetings in person and have sufficient time to propose matters for inclusion in the agenda. To ensure that all Directors are properly informed on matters to be discussed at each meeting, documents in relation to the meeting are sent to each Director at least three days prior to the meeting.

All Directors have access to the Company Secretary and are entitled to secretarial services so as to ensure full compliance with the procedures of Board meetings and all applicable rules. If the relevant corporate governance regulations have been changed, the Company Secretary will keep the Board updated of such changes.

Minutes of meetings of the Board and the subordinate committees are prepared and maintained by the Company Secretary. Drafts of the minutes of the meeting are sent to the Directors who have attended the meeting for their comments within a reasonable time after each meeting, while the final version is filed for records. Minutes of meetings of the Board and the subordinate committees are available for inspection by all Directors. In order to perform their duties, the Directors are entitled to seek independent professional advice through the Chairman, at the Company's expense. If a significant shareholder or director has an interest in a matter to be considered at a Board meeting, the Board will ensure that an adequate number of independent directors are involved in the consideration of the relevant resolutions, and the interested director will abstain from voting.

Appointment, re-election and removal

The Company has complied throughout the year with all the provisions (except Code Provision A.4.1 and A.4.2 as stated below) of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, and with most of the Recommended Best Practices.

Code Provision A.4.1 — This Code Provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 — This Code Provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The directors of the Company were appointed, for a term subject to retirement in accordance with the Articles of Association of the Company ("Articles"), which provide, amongst other things, the following:

(a) any director appointed to fill a casual vacancy shall hold office only until the next following Annual General Meeting ("AGM") of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting; and

(b) at each AGM, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as Executive Chairman or as a Managing Director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

However, through the operation of the internal mechanism adopted by the Company below, the terms of appointment of all directors are three years or less.

(1) the newly appointed director will retire and be eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and

(2) any director (including Executive Chairman and Managing Director), who is not required by the Articles to retire by rotation at the AGM in the third year since his last election, will be reminded to retire from office voluntarily.

Confirmation of independence

The Company has received from Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy and Dr. Fan Hsu Lai Tai, Rita, the Independent Non-Executive Directors, an annual written confirmation of independence and the Company considers such Directors to be independent in accordance with the independence guidelines set out in rule 3.13 of the Listing Rules.

Pursuant to the Rule A.4.3 of the Recommended Best Practices of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, serving more than nine years could be relevant to the determination of a Non-Executive Director's independence. The Directors are of the opinion that although Dr. Li Kwok Po, David has served as Independent Non-Executive Director for more than nine years, he maintains an independent view of the Company's affairs despite his long service, and continues to bring relevant experience and knowledge to the Board.

The Committees of the Board

As part of good corporate governance practice, a Nomination Committee, a Remuneration Committee and an Audit Committee have been established. These Committees comprise mainly Independent Non-Executive Directors whose independent judgements are important to the execution of the controls and corporate governance standards expected of a publicly listed company. Each Committee has its own specific delegated authorities and operates within defined terms of reference; these terms of reference have been posted on the Company's website at http://www.coli.com.hk and are updated from time to time. All Committees report to the Board in relation to their decisions, findings or recommendations.

To further enhance the corporate governance of the Company, the Board of Directors of the Company have nominated the Independent Non-Executive Director to act as Chairman of Nomination Committee and Remuneration Committee with effect from 2 February 2009. Particulars as follows:-

(1) Mr. Kong Qingping resigned as the Chairman of the Nomination Committee (remain as member of the Nomination Committee) and Dr. Fan Hsu Lai Tai, Rita be appointed to fill the vacancy; and

(2) Mr. Hao Jian Min resigned as the Chairman of the Remuneration Committee (remain as member of the Remuneration Committee) and Dr. Wong Ying Ho, Kennedy be appointed to fill the vacancy.

As such, all the three Committees under the Board have an Independent Non-Executive Director acting as Chairman and with the Independent Non-Executive Directors making the great majority of the Committees. The independence of the Committees has greatly enhanced.

Audit Committee

With effect from 2 February 2009, Dr. Fan Hsu Lai Tai, Rita has been appointed as additional member of the Audit Committee. After that, the Audit Committee is composed as follows:

Dr. Li Kwok Po, David* *(Committee Chairman)*
Mr. Lam Kwong Siu*
Dr. Wong Ying Ho, Kennedy*
Dr. Fan Hsu Lai Tai, Rita*

* *Independent Non-Executive Director*

The main duties of the Audit Committee are to review financial information of the Company, monitor the integrity of financial statements, financial reports and accounts, to examine and review matters such as the financial control, internal control and risk management system of the Company, to approve the remuneration and terms of engagement of the external auditors and to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors. During the year, the Audit Committee has duly discharged the above duties.

Remuneration Committee

With effect from 2 February 2009, Dr. Fan Hsu Lai Tai, Rita has been appointed as additional member of the Remuneration Committee. After that, the Remuneration Committee is composed as follows:

Dr. Wong Ying Ho, Kennedy* *(Committee Chairman)*
Mr. Hao Jian Min
Dr. Li Kwok Po, David*
Mr. Lam Kwong Siu*
Dr. Fan Hsu Lai Tai, Rita*

* *Independent Non-Executive Director*

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, determining the remuneration of all Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-Executive Directors. During the year, the Remuneration Committee has duly discharged the above duties.

Nomination Committee

With effect from 2 February 2009, Dr. Fan Hsu Lai Tai, Rita has been appointed as additional member of the Nomination Committee, and with effect from 17 August 2009, Mr. Zhu Yijian resigned as member of the Nomination Committee, while Mr. Dong Daping has been appointed as member of the Nomination Committee. After that, the Nomination Committee is composed as follows:

Dr. Fan Hsu Lai Tai, Rita* *(Committee Chairman)*
Mr. Kong Qingping
Mr. Dong Daping
Dr. Li Kwok Po, David*
Mr. Lam Kwong Siu*
Dr. Wong Ying Ho, Kennedy*

* *Independent Non-Executive Director*

The Nomination Committee is mainly responsible for making recommendations to the Board on matters related to the appointment or re-appointment of Directors as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-Executive Directors. During the year, the Nomination Committee has duly discharged the above duties.

Attendance at Board or Committee meetings during the year 2009

	Number of meetings attended/ Number of meetings held during the term of office			
Name	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Kong Qingping	4/4	N/A	N/A	3/3
Mr. Hao Jian Min	4/4	N/A	3/3	N/A
Mr. Xiao Xiao	3/4	N/A	N/A	N/A
Mr. Chen Bin	3/4	N/A	N/A	N/A
Mr. Dong Daping *(Note 1)*	1/1	N/A	N/A	N/A
Mr. Nip Yun Wing *(Note 2)*	1/1	N/A	N/A	N/A
Mr. Luo Liang	2/4	N/A	N/A	N/A
Mr. Lin Xiaofeng *(Note 2)*	0/1	N/A	N/A	N/A
Non-executive Directors				
Mr. Wu Jianbin	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Dr. Li Kwok Po, David	4/4	4/4	3/3	3/3
Mr. Lam Kwong Siu	4/4	4/4	3/3	3/3
Dr. Wong Ying Ho, Kennedy	4/4	4/4	3/3	3/3
Dr. Fan Hsu Lai Tai, Rita *(Note 3)*	3/3	4/4	2/2	2/2
Resigned Directors				
Mr. Zhu Yijian *(Note 4)*	3/3	N/A	N/A	3/3
Mr. Wang Man Kwan, Paul *(Note 5)*	3/3	N/A	N/A	N/A

Notes:

(1) Mr. Dong Daping was appointed as director and member of Nomination Committee on 17 August 2009.

(2) Mr. Nip Yun Wing and Mr. Lin Xiaofeng were appointed as director on 17 August 2009.

(3) Dr. Fan Hsu Lai Tai, Rita was appointed as director, member of Audit Committee, member of Remuneration Committee and chairman of Nomination Committee on 2 February 2009.

(4) Mr. Zhu Yijian resigned as director and member of Nomination Committee on 17 August 2009.

(5) Mr. Wang Man Kwan, Paul resigned as director on 17 August 2009.

Model Code for Directors' Share Dealing

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "Securities Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The Directors confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2009.

Conflict of Interest and Responsibility for the Financial Statements

Potential conflict of interest involving a substantial shareholder or a Director

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in an actual meeting, as opposed to being dealt with by written resolution. Directors and Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

Whenever a transaction is considered at a Board meeting, the Directors are required to report their respective interests involved, and the interested Director shall absent from such meeting when appropriate.

Directors' responsibilities for the Financial Statements

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group consolidated financial statements based on their audit, particulars please refer to the "Independent Auditors' Report" section of this report. The Board should ensure such financial statements should give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard of this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the Financial Statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

Auditors' Remuneration

The Audit Committee is responsible for oversees the independence of its external auditors including the provision of non-audit services. None of the four Audit Committee members is a former partner of the external auditors.

Deloitte Touche Tohmatsu was re-appointed as the external auditors for 2009 with shareholders' approval at the AGM. During the year, HK$6,300,000 paid to the external auditors by the Group for audit service and HK$500,000 for other services. The Board will table a resolution at the 2010 AGM, proposing to re-appoint Deloitte Touche Tohmatsu as its auditors.

Senior Management

There are 8 members of the Senior Management in the Company, their biographical details are set out on pages 61 to 62 of the report, and respective interests in shares as at 31 December 2009 are set out below:

Name of senior management	Number of shares held	Percentage of issued share capital#
Mr. Ge Yafei	1,000,000	0.012%
Mr. Hu Ping	3,176,564	0.039%
Mr. Zhang Yi	93,095	0.001%
Mr. Qu Yonghai	97,095	0.001%
Mr. Qi Dapeng	0	0.000%
Mr. Yan Jian Guo	110,000	0.001%
Mr. Xiang Hong	180,480	0.002%
Mr. Guo Yong	550,000	0.007%
Total	5,207,234	0.064%

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2009 (8,169,023,647 ordinary shares).

Relations with Shareholders

Substantial shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2009 are set out in the "Substantial Shareholders' Interests in Securities" section of "Report of Directors" of this report.

Annual General Meeting and Communication with Shareholders

The Company is keen to promote two-way communications both with its institutional investors and its private shareholders. The AGM provides a useful platform for shareholders to exchange views with the Board. An AGM circular containing Notice of AGM was distributed to all shareholders at least 20 clear business days prior to the 2009 AGM, setting out details of each proposed resolution and other relevant information as required by the Listing Rules. Directors are present at the AGM to answer any questions raised by shareholders.

Directors were re-elected by means of a separate resolution in 2009 AGM. A separate resolution was proposed in respect of other substantially separate issue. The voting on all resolutions was conducted by way of poll and such results were posted on the website of the Stock Exchange and the Company's website.

The Company communicates with its shareholders through the publication of annual, interim reports, results announcements and releases. All communications to shareholders was also available on the Company's website at http://www.coli.com.hk. For any queries, shareholders and investors may email their enquiries to the Company's email address, particulars please refer to the "Corporate and Shareholders' Information" section of this report. Such enquires will be handled by the relevant person of the Company.

Financial Calendar

Particulars of the financial calendar are set out in the "Corporate and Shareholders' Information" section of this report.

Accolades & Awards 2009

China Property Enterprise — Corporate Social Responsibility Grand Award 2009
China Overseas Land & Investment Limited
by Economic Digest

Global Chinese Business 1000 — Best Business Perfom(Hong Kong Region)
China Overseas Land & Investment Limited
by Yazhou Zhoukan

Top 10 out of 100 China Real Estate Company
China Overseas Land & Investment Limited
by China Real Estate Top 10 Research Team

Quality Credit Rate of AAA
China Overseas Property
by China Quality Association (Beijing) — Quality Accreditation Company Limited

2009 Mainland China Real Estate Company — Top 10 Listed Company in Hong Kong
China Overseas Land & Investment Limited
by China Real Estate Top 10 Research Team

Credit Enterprise, China Real Estate Company 2007/2008
China Overseas Property
by China Real Estate Enterprise Association

Caring Company Logo 09/10
China Overseas Land & Investment Limited, China Overseas Property Services Limited
by Hong Kong Council of Social Service

6th China Blue Chip Property Developer
China Overseas Property
by Economic Observer etc.

2009CIHAF中國房地產十大風雲人物
Mr Kong Qing Ping, Chairman
by第十一屆住交會

2009CIHAF中國名企
China Overseas Property
by第十一屆住交會

Hong Kong Outstanding Enterprise 2009
China Overseas Land & Investment Limited
by Economic Digest

China Top 10 Property Management Quality
China Overseas Property Management
by China Real Estate Top 10 Research Team

China Corporate Social Responsibility Outstanding Award 2009
China Overseas Property
by由第一財經

Zhan Tianyou Resident Golden Awards
Suzhou Royal Lakefront
Foshan Gold Coast
Xian Classic Palais
Changchun One South Lake
by China Civil Engineering Society etc

Zhan Tianyou Resident Outstanding Technology Award
Changchun International Community A, B Area
Chengdu International Community
by China Civil Engineering Society etc

Top 20 China Real Estate Enterprise Brand Value, Brand Value 14.05 billion yuan
China Overseas Property
by China Real Estate Post etc

CNBC International Property Award 2009 – Best Development China (Four Star)
Chongqing One North Riveiera
Foshan Starcrest
by CNBC International Property Award

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Group Financial Summary

Key Financial Information and Ratios

Financial year	2005 *HK cents*	2006 *HK cents*	2007 *HK cents*	2008 *HK cents*	**2009** ***HK cents***
Earnings per share	24.0	35.5	56.9	64.2	**91.6**
Dividends per share	7	10	12	13	**20**
— Interim dividend	3	4	5	6	**7**
— Final dividend	4	6	7	7	**13**
Equity attributable to equity holders per share	173.2	220.5	339.4	423.1	**515.3**
Net debt to shareholders' funds (%)					
Net debt / Shareholders' funds	39.2	34.0	30.2	46.8	**22.4**
Interest cover (times)					
Operating profit-Interest income / Interest expenses	7.9	6.4	11.8	7.3	**15.5**

Key Profit and Loss Items

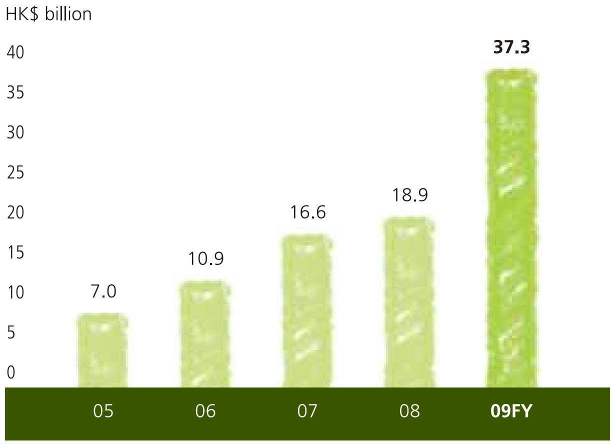
For the year ended 31 December	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	**2009** ***HK$'000***
Turnover	7,930,763	10,910,234	16,632,553	18,892,373	**37,321,630**
Operating profit	2,291,557	3,111,364	7,101,633	9,040,811	**12,259,248**
Profit attributable to shareholders	1,534,684	2,370,750	4,179,579	5,048,637	**7,468,928**

Key Statement of Financial Position Items

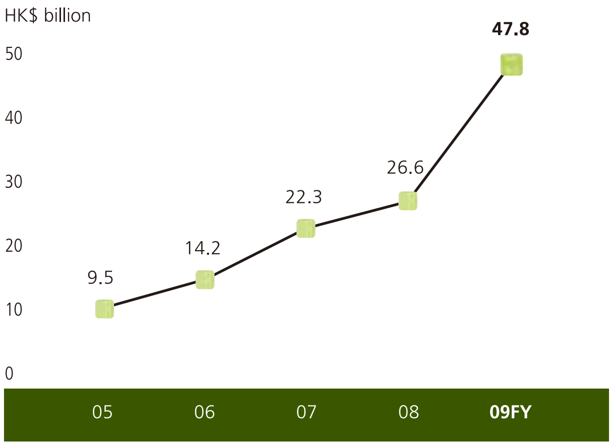
As at 31 December	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	**2009** ***HK$'000***
Fixed assets*	2,785,175	3,142,911	4,867,116	6,703,587	**7,996,099**
Long-term investments	1,717,500	2,166,857	2,660,587	2,130,890	**2,760,515**
Other non-current assets	1,342,988	853,726	3,186,905	4,862,353	**10,102,218**
Net current assets	11,728,244	18,288,562	30,174,160	41,943,853	**43,063,749**
Non-current liabilities	(6,793,661)	(9,562,647)	(15,098,666)	(22,756,295)	**(22,112,950)**
Net assets	10,780,246	14,889,409	25,790,102	32,884,388	**41,809,631**

* *Including investment properties and property, plant and equipment.*

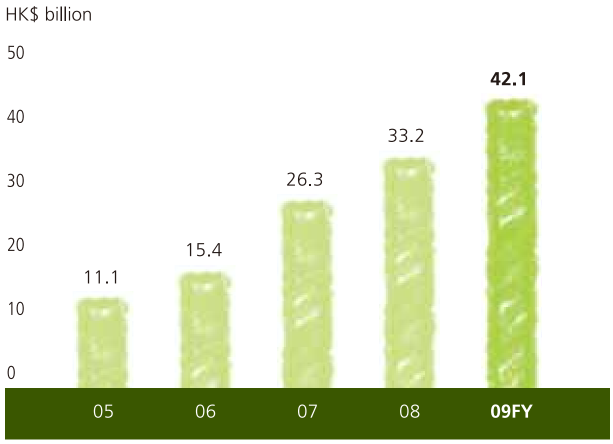
Turnover



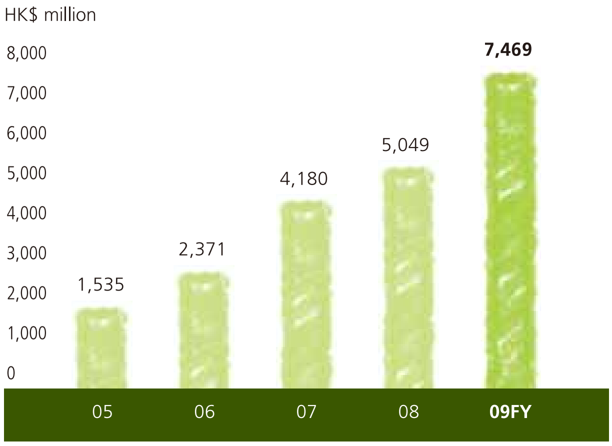
Sales



Equity Attributable to Equity Holders



Growth in Net Profit



Report of Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009.

Principal Activities

The Company is principally engaged in investment holding, property investment and provision of management services to its subsidiaries. The activities of the Company's principal subsidiaries, associates and jointly controlled entities are set out in notes 51, 20 and 21 to the financial statements respectively.

An analysis of the Group's turnover and contribution is set out in notes 7 and 8 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 119.

An interim dividend of HK7 cents per share was paid on 28 September 2009. The board of directors recommends the payment of a final dividend of HK13 cents per share (2008: HK7 cents per share) to shareholders whose names appear on the Register of Members of the Company on 9 June 2010. Together with the interim dividend of HK7 cents per share (2008: HK6 cents per share), dividends for the year will amount to a total of HK20 cents per share. The final dividend will be payable on 18 June 2010.

Share Premium and Reserves

Movements during the year in the share premium and reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 123 and note 36 to the financial statements respectively.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 207 and 208.

Major Properties

Details of the major properties and property interests of the Group at 31 December 2009 are set out on pages 209 to 212.

Tangible Fixed Assets

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of HK$1,319,500,000 which has been credited directly to the consolidated statement of comprehensive income.

Details of these and other movements during the year in the tangible fixed assets of the Group and the Company are set out in notes 16 and 17 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 35 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Borrowings and Interest Capitalised

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities in the statement of financial position. An analysis of the repayment schedule of non-current borrowings is set out in note 37 to the financial statements.

Interest capitalised by the Group during the year in respect of development properties amounted to approximately HK$600,798,000.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Kong Qingping	*(Chairman)*
Mr. Hao Jian Min	*(Vice Chairman and Chief Executive Officer)*
Mr. Xiao Xiao	*(Vice Chairman)*
Mr. Chen Bin	
Mr. Dong Daping	*(appointed on 17 August 2009)*
Mr. Nip Yun Wing	*(appointed on 17 August 2009)*
Mr. Luo Liang	
Mr. Lin Xiaofeng	*(appointed on 17 August 2009)*
Mr. Zhu Yijian	*(resigned on 17 August 2009)*
Mr. Wang Man Kwan, Paul	*(resigned on 17 August 2009)*

Non-executive Director

Mr. Wu Jianbin	*(Vice Chairman) (re-designated from Executive Director to Non-executive Director on 17 August 2009)*

Independent Non-executive Directors

Dr. Li Kwok Po, David	
Mr. Lam Kwong Siu	
Dr. Wong Ying Ho, Kennedy	
Dr. Fan Hsu Lai Tai, Rita	*(appointed on 2 February 2009)*

Directors *(continued)*

In accordance with Article 105(A) and Article 96 of the Company's Articles of Association, Mr. Kong Qingping, Mr. Xiao Xiao, Mr. Dong Daping, Mr. Nip Yun Wing, Mr. Lin Xiaofeng, Mr. Lam Kwong Siu and Dr. Wong Ying Ho, Kennedy shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

The Company confirmed that it has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 and the Company still considers the independent non-executive directors to be independent.

No director proposed for re-election at the forthcoming Annual General Meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Information regarding directors' emoluments is set out in note 13 to the financial statements.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Organization" on page 52 to 62 of this Annual Report.

Information on Share Options of the Company

Information in relation to share options disclosed in accordance with the Listing Rules is as follows:

(1) Movement of share options during the year ended 31 December 2009:

		Number of underlying shares comprised in options				
Name	**Date of Grant**	**Outstanding at 01.01.2009**	**Adjustment#/ Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding at 31.12.2009**
Directors						
Mr. Kong Qingping	18.06.2004 (vi)	1,344,000	15,334	—	—	1,359,334
		1,344,000	**15,334**	**—**	**—**	**1,359,334**
Mr. Hao Jian Min	18.06.2004 (vi)	576,000	6,572	—	—	582,572
		576,000	**6,572**	**—**	**—**	**582,572**
Mr. Xiao Xiao	18.06.2004 (vi)	400,000	4,564	—	—	404,564
		400,000	**4,564**	**—**	**—**	**404,564**
Mr. Wu Jianbin	18.06.2004 (vi)	576,000	6,572	—	—	582,572
		576,000	**6,572**	**—**	**—**	**582,572**
Mr. Chen Bin	18.06.2004 (vi)	320,000	3,651	—	—	323,651
		320,000	**3,651**	**—**	**—**	**323,651**
Mr.Dong Daping (appointed on 17 August 2009)	18.06.2004 (vi)	80,000	913	—	—	80,913
		80,000	**913**	**—**	**—**	**80,913**
Mr. Luo Liang	18.06.2004 (vi)	128,000	1,460	(129,460)	—	0
		128,000	**1,460**	**(129,460)**	**—**	**0**
Mr. Lin Xiaofeng (appointed on 17 August 2009)	18.06.2004 (vi)	160,000	1,825	—	—	161,825
		160,000	**1,825**	**—**	**—**	**161,825**
	Sub-Total	**3,584,000**	**40,891**	**(129,460)**	**—**	**3,495,431**
Aggregate of other employees*	24.10.2001 (v)	—	—	—	—	—
	18.06.2004 (vi)	6,904,000	78,766	(4,167,004)	—	2,815,762
	Sub-Total	**6,904,000**	**78,766**	**(4,167,004)**	**—**	**2,815,762**
	Grand Total	**10,488,000**	**119,657**	**(4,296,464)**	**—**	**6,311,193**

\# *Following the issue of the Offer Shares on 3 February 2009, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.*

* *Employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.*

Information on Share Options of the Company *(continued)*

(2) On 3 February 2009, due to the open offer, the exercise price of the outstanding options granted under the Company's Share Option Scheme has been adjusted from HK$1.13 per Share to HK$1.118 per Share, and the number of Shares to be issued upon full exercise of the outstanding options has been adjusted from 10,488,000 Shares to 10,607,657 Shares.

At 31 December 2009, the options granted to subscribe for 6,311,193 Shares remained outstanding, representing approximately 0.08% of the issued share capital of the Company at that date. No options to subscribe for Shares have been cancelled during the year ended 31 December 2009.

As at the date of this annual report, 6,311,193 Shares were available for issue under the Share Option Scheme, representing approximately 0.08% of the issued share capital of the Company at that date.

(3) During the year ended 31 December 2009, options to subscribe for a total of 4,296,464 Shares (including options exercised by the Directors) of the Company were exercised, particulars as follows:

Date of Exercise	24.10.2001 (v)	18.06.2004 (vi)	Total	Weighted average closing price immediately before the exercise *(HK$)*
25.06.2009	0	945,309	945,309	12.87
03.07.2009	0	445,020	445,020	13.08
10.07.2009	0	853,630	853,630	13.23
05.08.2009	0	428,836	428,836	13.80
07.09.2009	0	161,826	161,826	14.24
16.09.2009	0	542,115	542,115	14.39
13.10.2009	0	207,696	207,696	14.64
24.11.2009	0	287,240	287,240	14.97
18.12.2009	0	424,792	424,792	15.17
Total:	**0**	**4,296,464**	**4,296,464**	

Information on Share Options of the Company *(continued)*

(3) *(continued)*

Notes:

(a) Particulars of share options granted:

	Date of Grant	Vesting Period (both days inclusive)	Exercise Period (both days inclusive)	Exercise Price Per Share (HK$)	Note
(i)	17.07.1997	17.07.1997–16.07.1998	17.07.1998–16.07.2007	4.06	Lapsed
(ii)	14.02.1998	14.02.1998–13.02.1999	14.02.1999–13.02.2008	1.08	Lapsed
(iii)	30.09.1998	30.09.1998–29.09.1999	30.09.1999–29.09.2008	0.52	Lapsed
(iv)	04.01.2000	04.01.2000–03.01.2001	04.01.2001–03.01.2010	0.58	Lapsed
(v)	24.10.2001	24.10.2001–23.10.2002	24.10.2002–23.10.2011	0.69	—
(vi)	18.06.2004	18.06.2004–17.06.2009*	18.06.2005–17.06.2014	1.13 (Adjusted to 1.118 w.e.f. 03.02.2009)	—

* *particulars shown in note 35 to the financial statements.*

(b) During the year under review, no options have been granted to any eligible employees (including the directors and independent non-executive directors of the Company) to subscribe for Shares of the Company.

Directors' and Chief Executive's Interests in Securities

As at 31 December 2009, the Directors, the Chief Executive of the Company and their respective associates had the following interests in the Shares and underlying Shares of the Company and its 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) Long Positions in Shares and Underlying Shares of the Company

(all being personal interest and being held in the capacity of beneficial owner)

Name of director	Number of shares held	Number of Underlying shares comprised in Options *(Note 1)*	Total	% of shares in issue *(Note 2)*
Mr. Kong Qingping	7,435,760	1,359,334	8,795,094	0.108%
Mr. Hao Jian Min	5,670,600	582,572	6,253,172	0.077%
Mr. Xiao Xiao	1,530,680	404,564	1,935,244	0.024%
Mr. Wu Jianbin	3,036,800	582,572	3,619,372	0.044%
Mr. Chen Bin	1,048,320	323,651	1,371,971	0.017%
Mr. Dong Daping	453,440	80,913	534,353	0.007%
Mr. Luo Liang	750,080	0	750,080	0.009%
Mr. Lin Xiaofeng	1,110,000	161,825	1,271,825	0.016%
Dr. Li Kwok Po, David	6,000,000	0	6,000,000	0.073%

Directors' and Chief Executive's Interests in Securities *(continued)*

(b) Long Positions in Shares and Underlying Shares of the Associated Corporation — China State Construction International Holdings Limited

(unless otherwise stated, all being personal interest and being held in the capacity of beneficial owner)

Name of director	Number of shares held	Number of Underlying shares comprised in Options *(Note 3)*	Total	% of shares in issue *(Note 4)*
Mr. Kong Qingping	2,988,800	3,160,834	6,149,634	0.208%
Mr. Hao Jian Min	3,206,240	1,843,820	5,050,060	0.171%
Mr. Xiao Xiao	0	2,801,188	2,801,188	0.095%
Mr. Wu Jianbin	3,306,240	1,843,820	5,150,060	0.174%
Mr. Chen Bin	1,437,696	1,264,334	2,702,030	0.091%
Mr. Dong Daping	1,043,840	614,607	1,658,447	0.056%
Mr. Luo Liang	2,416,086	526,805	2,942,891	0.100%
Mr. Lin Xiaofeng	0	614,607	614,607	0.021%
Dr. Li Kwok Po, David	100,000	0	100,000	0.003%

Notes:

1. *Information in relation to interests in options to acquire shares of the Company is set out in the section headed "Information on Share Options of the Company" of this report.*

2. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2009 (i.e. 8,169,023,647 shares).*

3. *The exercise price for the share options is HK$0.99 per share (before share subdivision). Immediately after the share subdivision approved on 12 June 2008, the exercise price for the share options is HK$0.2475 per share. Immediately after the adjustment for the rights issue made on 1 September 2009, the exercise price for the share options is HK$0.2345 per share. The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).*

4. *The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 31 December 2009 (i.e. 2,954,572,648 shares).*

Directors' and Chief Executive's Interests in Securities *(continued)*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2009, any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Arrangements to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Directors' Interest in Competing Business

Pursuant to existing Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company discloses that during the year and up to the date of this report, Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin, Chen Bin, Dong Daping, Luo Liang and Lin Xiaofeng held directorships in the Company's ultimate holding company, China State Construction Engineering Corporation ("CSCEC"), and/or its subsidiaries, which are engaged in construction, property development and related business.

As the board of directors of the Group operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the businesses of these companies.

Substantial Shareholders' Interests in Securities

At 31 December 2009, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of shares and underlying shares held			% of shares in issue *(Note 1)*			Capacity
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
Silver Lot Development Limited ("Silver Lot") *(Note 2)*	434,754,928	—	—	5.32%	—	—	Beneficial owner
China Overseas Holdings Limited ("COHL")	3,837,380,380	—	—	52.30%	3.00%	—	Beneficial owner
	434,754,928	245,197,740	—			—	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("CSCECL") *(Note 3)*	4,272,135,308	245,197,740	—	52.30%	3.00%	—	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") *(Note 3)*	4,272,135,308	245,197,740	—	52.30%	3.00%	—	Interest of controlled corporation
JP Morgan Chase & Co.	54,349,526	25,344,120	241,994,595	5.99%	0.31%	2.96%	Beneficial owner
	192,921,188	—	—				Investment manager
	241,994,595	—	—				Custodian/Approved lending agent

Notes:

1. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2009 (i.e. 8,169,023,647 shares).*

2. *Silver Lot is a direct wholly owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in 434,754,928 Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.*

3. *COHL is a direct wholly owned subsidiary of CSCECL, which in turn is a direct 52.66%-owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in 4,272,135,308 Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.*

Substantial Shareholders' Interests in Securities *(continued)*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2009.

Major Customers and Suppliers

For the financial year ended 31 December 2009, the five largest customers of the Group accounted for less than 1% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 58% of the Group's total purchases and purchase from the largest supplier include therein amounted to approximately 16% for the year.

Save as aforementioned, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

Connected, Continuing Connected and Related Party Transactions

Details of the connected, continuing connected and related party transactions are set out on pages 96 to 116. Save as the related party transactions disclosed in note 49 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately HK$38 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

Donations

During the year, the Group made charitable and other donations amounted to approximately HK$122,000.

Audit Committee

The principal duties of the Audit Committee are the review of the internal controls and financial reporting requirements of the Group. The members of the Audit Committee have been satisfied with the Company's internal control procedures and the financial reporting disclosures.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 72 to 79.

Auditor

Messrs. Deloitte Touche Tohmatsu has acted as auditor of the Company for the past three years.

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Kong Qingping
Chairman

Hong Kong, 18 March 2010

In this section, the following expressions have the following meanings unless the context requires otherwise:

"All Winwin"	All Winwin Holdings Limited, a company incorporated under the laws of the British Virgin Islands. It is held as to 80% by Quality Time, a wholly-owned subsidiary of COHL, and therefore, a connected person of the Company
"associate(s)", "connected person(s)", "subsidiary"	the terms "associate(s)", "connected person(s)" and "subsidiary" shall have the meanings as defined in the Listing Rules
"BEA"	The Bank of East Asia, Limited of which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder
"Board"	the board of Directors
"BOCGIL"	Bank of China Group Investment Limited, a company incorporated in Hong Kong
"CCEMacau"	China Construction Engineering (Macau) Company Limited, a company incorporated in Macau with limited liability and a wholly-owned subsidiary of CSC
"CCEMacau Engagement Agreement"	the engagement agreement entered into between the Company and CCEMacau on 22 November 2005 in respect of the engagement by the Group of CCEMacau as construction contractor for the Group in Macau as set out in the joint announcement of COLI and CSC dated 22 November 2005
"China Overseas Shanghai"	中海發展（上海）有限公司 (China Overseas Development (Shanghai) Co., Ltd.), a limited liability company incorporated in the PRC which is a wholly owned subsidiary of the Company
"Chongqing Framework Agreement"	the agreement entered into between Wharf and the Company dated 29 October 2009 in relation to the Chongqing JV Land bidding and the proposed development, through the Project Company to be formed, of the Chongqing JV Land on a 50:50 ownership basis
"Chongqing JV Land"	two pieces of land in Chongqing, the PRC with a total site area of approximately 2.85 million square feet located at 江北區江北城組團A分區 A10-1/03, A10-2/03, A10-4/03, A11-1/03 and C分區 C01-3/03, C01-5/03號
"Chongqing JV Land Transaction"	the successful bidding for the acquisition of the land use rights of the Chongqing JV Land on 29 October 2009 and the entering into of the Chongqing Framework Agreement, and the transactions contemplated thereunder

“COHK” or “CSCL”	China State Construction Limited (formerly known as China Overseas (Hong Kong) Limited), a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of CSCIHL
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, over 50% of the issued share capital of the Company
“COLI” or “Company”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688)
“COLI Group” or “Group”	the Company and its subsidiaries from time to time
“COLI Sub”	Generate Gold Investments Limited, a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of the Company
“COP”	中海地產集團有限公司 (formerly known as 中海地產股份有限公司) (China Overseas Property Group Co., Ltd.), a Sino-foreign joint venture company established in PRC, the registered capital of which is owned as to 79% indirectly by the Company, 11% by SCO and 10% by three independent PRC entities not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any associate of any of them at the date of the announcement
“COPL”	China Overseas Property Limited, a wholly-owned subsidiary of the Company
“COS”	China Overseas Security Services Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of COLI
“COZG”	China Overseas (Zhong Guo) Limited, a company incorporated in Hong Kong, being an indirect wholly-owned subsidiary of the Company
“CSC Group Engagement Agreement”	the engagement agreement entered into between the Company and CSC on 2 April 2009 in respect of the engagement by the Group of the CSC Group as construction contractor for the Group in the PRC, Hong Kong and Macau, details of which are set out in the announcement jointly issued by the Company and CSC on 2 April 2009
“CSCEC”	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company and CSCIHL

"CSCECL"	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (the shares of which are listed on the Shanghai Stock Exchange on 29 July 2009) which holds the entire interest of COHL and is held as to 94% by CSCEC before 27 July 2009 and 52.64% thereafter
"CSCECL Group"	CSCECL and its subsidiaries (excluding the Company, CSC and their respective subsidiaries) from time to time
"CSCECL Group Engagement Agreement"	the engagement agreement entered into between the Company and CSCECL on 2 April 2009 in respect of the engagement by the Group of the CSCECL Group as construction contractor for the Group in the PRC
"CSCIHL" or "CSC"	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability on 25 March 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSCIHL Engagement Agreement"	the engagement agreement entered into between the Company and CSCIHL on 22 November 2005 in respect of the engagement by the Group of CSCIHL Group as construction contractor for the Group in Hong Kong
"CSCIHL Group" or "CSC Group"	CSCIHL and its subsidiaries
"CSCNo.8"	中國建築第八工程局有限公司 (China State Construction No.8 Engineering Corporation Limited), a limited liability company incorporated in the PRC and a wholly owned subsidiary of CSCECL
"Directors"	the directors of the Company
"East Asia"	East Asia Properties Holding Company Limited, a wholly-owned subsidiary of BEA
"First Closing"	the first closing of the Fund, i.e. the date on which the investors (including the Company, ICBCIIM, All Winwin or their respective affiliates) with aggregate capital commitments to the Fund of not less than US$250 million (or such other amount as the Company, ICBCIIM and All Winwin may agree in writing) are admitted as limited partners of the Fund
"Fund"	Harmony China Real Estate Fund, L.P., an exempted limited partnership established and registered under the laws of the Cayman Islands
"Fund Management Company"	COLI ICBCI China Investment Management (Cayman Islands) Limited, a company incorporated under the laws of the Cayman Islands. It is responsible for the day-to-day operations and management of the Fund

"General Partner"	COLI ICBCI China Real Estate GP Limited, a company incorporated under the laws of the Cayman Islands. It conducts and directs the business and affairs of the Fund and manages and controls the Fund's operation
"Golden Queen"	Golden Queen International Limited, a wholly-owned subsidiary of BEA
"Goldmond"	Goldmond Company Limited, a connected person of the Company, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BEA
"Goodrich"	Goodrich Company Limited, a company incorporated in Macau, the employer of the proposed residential development at Lot R+R1, rua Central de areia Preta, Macau and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"ICBCIIM"	ICBC International Investment Management Limited, a company incorporated under the laws of the British Virgin Islands
"ICBCIIM Sub"	Create Max Limited, a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of ICBCIIM
"Independent Shareholders"	the shareholders of the Company, other than CSCEC, CSCECL, COHL, CSCIHL and their respective associates
"Investment Advisor"	COLI ICBC China Investment Management Limited, a company incorporated under the laws of Hong Kong. It provides investment advisory and other administrative services to the Fund Management Company
"Investment Company"	a limited liability company incorporated in Hong Kong used for the purpose of the Chongqing JV Land bidding and development, which is a wholly-owned subsidiary of Wharf as at the date of announcement and which will later on become 50:50 owned by the Group and the Wharf Group in accordance with the Chongqing Framework Agreement
"JCE"	jointly controlled entity, namely, Elite Mind International Limited, which was incorporated in Hong Kong and is accounted for as a jointly controlled entity of the Group and the Wharf Group
"Joint Venture Company"	a limited liability company to be established in the PRC used for the purpose of owning and developing the Tianjin JV Land

"JV Agreement"	the cooperation agreement entered into among China Overseas Shanghai, CSCECL and CSCNo.8 on 24 September 2009 involving, among other things, the formation of a joint venture among the parties for the purpose of the development of the Shanghai JV Land through the JV Company
"JV Company"	上海海創房地產有限公司 (Shanghai Haicang Real Estate Limited), a limited liability company incorporated in the PRC which is currently wholly owned by China Overseas Shanghai and will be transformed into a joint venture company pursuant to the JV Agreement
"JV Entities"	the Fund Management Company, the General Partner, the Investment Advisor and the Special Limited Partner
"JV Fund Agreement"	the joint venture agreement dated 17 March 2010 entered into between the Company, All Winwin, ICBCIIM, ICBCIIM Sub and COLI Sub in relation to the establishment and management of the JV Entities and the Fund
"JV Fund Transaction"	the entering into of the JV Fund Agreement and the transactions contemplated thereunder
"KYCL"	Kee Yet Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macao Special Administrative Region of PRC
"Macfull"	Macfull Limited, a company owned as to 60% by COPL
"Macwan"	Macwan Limited, a company owned as to 70% by COPL
"Main Board"	the Main Board of the Stock Exchange
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Master Lease Agreement"	the agreement entered into by COLI and CSC on 2 April 2009 in respect of leasing of the Properties by the CSC Group from the COLI Group
"Master Security Services Agreement"	the agreement dated 15 May 2006 entered into between COS, an indirect wholly-owned subsidiary of COLI, and CSCIHL in relation to the provision of security services by COS to the worksites of CSCIHL and/or its subsidiaries
"Master Tenancy Agreement"	the agreement dated 15 May 2006 entered into between On Success, an indirect wholly-owned subsidiary of COLI, and COHK, an indirect wholly-owned subsidiary of CSCIHL, in relation to the leasing of certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries

“Maxjet”	Maxjet Company Limited, a company incorporated in Hong Kong and a company owned as to 90% indirectly by the Company and 10% by Goldmond
“new Master Security Services Agreement”	the agreement entered into by COLI and CSC on 2 April 2009 in respect of the engagement of members of the COLI Group which hold the relevant licenses by the CSC Group for providing security services to the work sites of the CSC Group in Hong Kong
“On Success”	On Success Development Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of COLI
“PRC”	the People’s Republic of China
“Project Company”	a company to be incorporated in the PRC, to be 100%-owned by the Investment Company for the purpose of the joint development of the Chongqing JV Land
“Quality Time”	Quality Time Investments Ltd., a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of COHL
“Rich Tower”	Rich Tower Properties Limited, a wholly-owned subsidiary of BOCGIL
“RMB”	Renminbi, the lawful currency of PRC
“SCO”	深圳市中海投資管理有限公司 (Shenzhen China Overseas Investment Management Co., Ltd.), a company established in PRC, as at the date of the announcement being a direct subsidiary owned by CSCEC
“SCOCE” or “SCOCL”	深圳市中海建築工程公司 (transliterated into English as Shenzhen China Overseas Construction Engineering Company) now known as 深圳中海建築有限公司 (transliterated in English as Shenzhen China Overseas Construction Limited), being a direct wholly-owned subsidiary of CSCEC at the date of the announcement
“SCOCE Engagement Agreement”	the engagement agreement entered into between COLI and SCOCE on 22 November 2005 in respect of the engagement by the Group of SCOCE as construction contractor for the Group in PRC as set out in the joint announcement of COLI and CSC dated 22 November 2005
“SCOP”	深圳中海地產有限公司 (Shenzhen China Overseas Property Company Limited), a company established in PRC, the registered capital of which is owned as to 75% by COP and 25% by COZG immediately before the completion of the relevant agreement; and is a wholly-owned subsidiary of COP after the completion of the relevant agreement

"Shanghai JV Land"	a piece of land in Shanghai located at No. 6B(B6), 7C, Chang Feng, Putuo district (上海市普陀區長風6B(B6)、7C)
"Shanghai JV Land Transaction"	the entering into of the JV Agreement and the transactions contemplated thereunder
"Shareholders"	the shareholders of the Company from time to time
"Special Limited Partner"	COLI ICBCI China Real Estate SLP Limited, a company incorporated under the laws of the Cayman Islands. It acts as the special limited partner of the Fund and for the sole purpose of facilitating arrangements of the carried interest distributions arising from the investments of the Fund
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Framework Agreement"	the agreement entered into between the Company and Wharf dated 1 February 2010 in relation to, among other things, the joint bidding and development of the Tianjin JV Land on a 50:50 ownership basis
"Tianjin JV Land"	a piece of land in Tianjin City, the PRC with a site area of about 1.62 million square feet and a total gross floor area of about 5.26 million square feet located at the east of Tiedong Road, Hebei District (河北區鐵東路側)
"Top Brain"	Top Brain Development Limited, a wholly-owned subsidiary of BOCGIL
"Wharf"	The Wharf (Holdings) Limited (stock code: 4), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Wharf Group"	Wharf and its subsidiaries from time to time
"%"	per cent.

Part A: During the year under review, the Group entered into the following connected transactions which are of a regular and continuing nature under the then Listing Rules:

(1) On 29 August 1995, the Group entered into an agreement with certain parties relating to the establishment of Macwan to undertake a property development project. Macwan is owned as to 70% by COPL, a wholly-owned subsidiary of the Company, as to 20% by Rich Tower, and as to 10% by Golden Queen. Pursuant to the agreement, the shareholders of Macwan have agreed to provide loans to Macwan in accordance with their respective equity proportions. At 31 December 2009, the amounts due by Macwan to the Group, Rich Tower and East Asia, a fellow subsidiary of Golden Queen, were approximately HK$64 million, HK$19 million and HK$9 million respectively. The shareholders of Macwan and the lenders agreed that such loans are interest free. Golden Queen and East Asia are wholly-owned subsidiaries of BEA of which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder.

(2) On 25 March 1997, a consortium led by the Company acquired a site situated in Homantin North at a public auction. Maxjet was established to undertake the property development project. Maxjet is owned as to 70% by COPL, as to 20% by KYCL, and as to 10% by Goldmond. The shareholders of Maxjet have agreed to provide loans to Maxjet in accordance with their respective equity proportions. At 31 December 2009, the amounts due by Maxjet to the Group and Goldmond were approximately HK$720 million and HK$80 million respectively. Such loans are interest free. Goldmond is a wholly-owned subsidiary of BEA. The interest of Goldmond was acquired by the Group and from 6 August 2009, Maxjet became an indirect wholly-owned subsidiary of the Company.

(3) On 14 October 1997, a consortium led by the Company acquired a site situated in Tuen Mun at a public auction. On 17 November 1997, members of the consortium entered into an agreement relating to the establishment of Macfull to undertake the development of the property. Macfull is owned as to 60% by COPL, as to 10% by Top Brain and as to 30% by independent third parties. At 31 December 2009, the amounts due by Macfull to the Group and Top Brain were approximately HK$1,056 million and HK$176 million respectively. Such loans have been interest free since 1 January 1998.

The Directors consider that the Company is connected to Rich Tower and Top Brain by virtue of their equity interests in Macwan and Macfull respectively. The Directors also consider that the Company is connected to BEA by virtue of its equity interest in Macwan and Maxjet and as stated above, BEA's interest in Maxjet ceased from 6 August 2009.

** (4) On 1 August 2005, Goodrich, a wholly-owned subsidiary of the Company, entered into a construction management contract with CCEMacau, a wholly-owned subsidiary of COHL at that date, appointing CCEMacau as construction manager of Goodrich.

CCEMacau became an indirect wholly-owned subsidiary of CSCIHL from 29 June 2006.

Management fees and bonus paid by Goodrich to CCEMacau under the contract amounted to HK$0 million (2008: HK$2 million) and HK$0 million (2008: HK$11.7 million) respectively in respect of the year.

** **Part B: During the year under review, the Group entered into the following continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules:**

(5) On 15 May 2006, On Success, an indirect wholly-owned subsidiary of COLI, entered into the Master Tenancy Agreement with COHK (now known as CSCL), an indirect wholly-owned subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries.

Particulars of the tenancy:

Properties	Location	Commencement date of Tenancy	Expiry date of Tenancy	Rent payable by COHK
A	Units A, B, C and D, 26th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 July 2006	30 June 2009	HK$111,972 per month (with 3 months rent free period)
B	27th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 January 2007	30 June 2009	HK$168,273 per month (with 2 months rent free period)
C	28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 January 2007	30 June 2009	HK$168,273 per month (with 2 months rent free period)
D	29th Floor and 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 July 2006	30 June 2009	HK$336,546 per month (with 3 months rent free period)

The rent payable for the above properties were determined by reference to a valuation report dated 11 May 2006 by DTZ Debenham Tie Leung Limited, an independent valuer, on the prevailing market conditions and the rental level of similar properties in the vicinity of the above properties.

As at the date of entering into the agreement, COHL is interested as to approximately 64.3% of the issued share capital of CSCIHL and as to approximately 50.7% of the issued share capital of COLI. Accordingly, transactions between COLI (and/or its subsidiaries) and CSCIHL (and/or its subsidiaries) constitute continuing connected transactions for each of COLI and CSCIHL.

The offices of CSCIHL and its subsidiaries were previously located in the upper and lower floors of China Overseas Building. The Master Tenancy Agreement enables CSCIHL and its subsidiaries to consolidate their operations from the 26th to the 30th floors of China Overseas Building and provide a more efficient working environment for CSCIHL and its subsidiaries.

Pursuant to the Master Tenancy Agreement, the rent payable by COHK will be HK$6,616,428, HK$8,635,704 and HK$8,972,250 for the three years ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

As the annual rent payable under the Master Tenancy Agreement is less than 2.5% of each of the applicable percentage ratios (other than the profit ratio) of COLI and CSCIHL, the Master Tenancy Agreement is exempted from the approval of independent shareholders of COLI and CSCIHL.

During the period from 1 January 2009 to 30 June 2009, the rent paid by CSCL for the aforementioned agreement was HK$4,710,384 (2008: HK$4,373,838). The total rental received for the period did not exceed the annual cap of HK$8,972,250 for the year ending 30 June 2009.

Since the directors of CSCIHL expect that the CSCIHL Group will continue to lease properties from the COLI Group from time to time, on 2 April 2009 CSCIHL and COLI have entered into a new Master Lease Agreement to replace such previous master tenancy agreement which have been expired on 30 June 2009, taking into account any additional properties that may leased by the CSCIHL Group from the Group for the three-year period commencing from 1 July 2009 and ending on 30 June 2012. Particulars of the new Master Lease Agreement were set out at item 10 of Part D below.

Part C: During the year under review, the Group entered into the following connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules:

(6) On 29 October 2009, the Company entered into the Chongqing Framework Agreement with Wharf to facilitate bidding of the Chongqing JV Land on a 50:50 ownership basis through the Investment Company. Also on 29 October 2009, the Investment Company has made a successful bid for the Chongqing JV Land in a public tender from 重慶市國土資源和房屋管理局 (Chongqing Municipal Bureau of Land Resources and Housing Management*) as the vendor.

Under the Chongqing Framework Agreement, it was agreed between the Group and the Wharf Group that following the successful bidding of the Chongqing JV Land, there will be effected a transfer from the Wharf Group to the Group 50% of the entire issued share capital of the Investment Company at a consideration which would be calculated and determined on the basis of, and on a dollar for dollar basis, the Group paying or being responsible for paying 50% of the net assets of the Investment Company. Then, after completion of such share transfer, the Project Company, to be 100%-owned by the Investment Company, will be incorporated for the purpose of, among other things, the joint development of the Chongqing JV Land. The Investment Company has no other assets and businesses and was incorporated solely for the purpose of the Chongqing JV Land bidding and development.

The Group and the Wharf Group, through the Investment Company, will jointly develop the Chongqing JV Land, on a 50:50 ownership basis, into residential and office/commercial properties and it was agreed that, prior to obtaining, among other things, the land use right certificate of the Chongqing JV Land, any working capital requirement for the Chongqing JV Land development would be by way of capital contribution or shareholders' loans in proportion to respective attributable shareholding interest in the Investment Company and the Project Company.

The total consideration amount, payable to the above mentioned vendor, for acquiring the land use rights of the Chongqing JV Land is RMB4,100 million (approximately HK$4,659 million), which was paid/will be payable by cash instalments in manner as follows:

Date of payment	Amount paid/payable
On 14 October 2009	RMB730 million (approximately HK$829.5 million) (being deposit for the bidding)
On or before 15 December 2009	RMB500 million (approximately HK$568.2 million) (being 30% of the land cost, inclusive of the paid deposit)
On or before 15 December 2010	RMB820 million (approximately HK$931.8 million) (being 20% of the land cost)
On or before 30 June 2011	RMB820 million (approximately HK$931.8 million) (being 20% of the land cost)
On or before 31 May 2012	RMB1,230 million (approximately HK$1,397.7 million) (being the balance of the land cost)

Such consideration amount was the outcome of a public bidding held by 重慶市土地和礦業權交易中心 (an entity acting for Chongqing Municipal Bureau of Land Resources and Housing Management*) on 29 October 2009 which was conducted in accordance with the relevant PRC laws and regulations. It represents an accommodation value on the basis of approximately RMB286 (approximately HK$325) per square foot, which is about 10% higher than the starting bid price and considered as a reasonable price. Each of the Wharf Group and the Group is ultimately responsible for 50% of the total consideration.

The land costs due on 14 October 2009 and 15 December 2009 respectively have been paid on schedule.

The Directors believe that the Chongqing Framework Agreement and Chongqing JV Land Transaction are a viable investment, will broaden the asset and earnings base of, and will be beneficial to the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the Chongqing Framework Agreement and the Chongqing JV Land Transaction have been entered into on normal commercial terms and in the ordinary course of business, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Following the successful bidding of the Chongqing central business district land as announced by the Company in November 2007, the Wharf Group holds a 40% shareholding interest in the JCE for the property development of that piece of land while the Group holds the remaining 60% shareholding interest in the JCE. As such, Wharf has become a connected person of the Company. Accordingly, Wharf together with its subsidiaries are regarded as connected persons of the Company within the meaning of the Listing Rules, the Chongqing Framework Agreement and the Chongqing JV Land Transaction therefore constitute a connected transaction for the Company.

Since each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the estimated financial commitment of the Group for the Chongqing Framework Agreement and the Chongqing JV Land Transaction are less than 2.5%, the Chongqing Framework Agreement and the Chongqing JV Land Transaction are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(7) On 1 February 2010, the Company entered into the Tianjin Framework Agreement with Wharf to facilitate a joint bidding and development of the Tianjin JV Land on a 50:50 ownership basis. Later that date, a wholly owned subsidiary of the Company and a wholly owned subsidiary of Wharf have made a successful bid for the Tianjin JV Land in a public bidding held by 天津土地交易中心 (Tianjin Land Exchange Centre*) (an entity acting for 天津市國土資源和房屋管理局 (Tianjin Municipal Bureau of Land Resources and Housing Management*)).

A Joint Venture Company will be incorporated solely for the purpose of owning and developing the Tianjin JV Land, which will be developed into residential and commercial properties. The Company and Wharf has contributed a deposit in the total amount of RMB700 million (equal to or about HK$795.5 million), as required by the bidding process for the Tianjin JV Land, on a 50:50 basis. Such deposit may be applied to settle part of the purchase price for the Tianjin JV Land. As at the date of the announcement, the total financial commitment (other than the total purchase price for the Tianjin JV Land) for the development of the Tianjin JV Land is yet to be determined between the parties. The Company and Wharf (or their respective subsidiaries) are expected to enter into definitive joint venture contracts for the establishment of the Joint Venture Company.

Under the Tianjin Framework Agreement, it was agreed that, prior to obtaining, among other things, the land use right certificate of the Tianjin JV Land, any working capital requirement for the Tianjin JV Land development would be by way of capital contribution or shareholders' loans from the Group and the Wharf Group in proportion to their attributable shareholding interest in the Joint Venture Company.

* *For identification purpose only.*

The total consideration amount payable for acquiring the land use rights of the Tianjin JV Land is RMB2,700 million (equal to about HK$3,068.2 million), which was paid/will be payable by cash instalments in manner as follows:

Date of payment	**Amount paid/payable**
On 26 January 2010	RMB700 million (equal to about HK$795.5 million) (being the deposit for the bidding)
Upon signing of the relevant Land contract (such contract to be signed on or before 2 March 2010)	RMB760 million (equal to about HK$863.6 million)
Within 60 days of the signing of the relevant Land contract	RMB1,240 million (equal to about HK$1,409.1 million) (being the entire balance of the Land cost)

Such consideration amount was the outcome of a public bidding held by 天津土地交易中心 (Tianjin Land Exchange Centre*) (an entity acting for 天津市國土資源和房屋管理局 (Tianjin Municipal Bureau of Land Resources and Housing Management*)) on 1 February 2010 which was conducted in accordance with the relevant PRC laws and regulations. It represents an accommodation value on the basis of about RMB513 (equal to about HK$583.0) per square foot. Each of the Group and the Wharf Group is ultimately responsible for 50% of the total consideration.

The Directors believe that the Tianjin Framework Agreement is a viable way to make investment in the Tianjin JV Land, will broaden the asset and earnings base of the Company, and will be beneficial to the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the Tianjin Framework Agreement have been entered into on normal commercial terms and in the ordinary course of business, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Following the successful bidding of the Chongqing central business district land as announced by the Company in November 2007, the Wharf Group holds a 40% shareholding interest in the JCE for the property development of that piece of land while the Group holds the remaining 60% shareholding interest in the JCE. As such, Wharf (and its subsidiaries) are connected persons of the Company, and the Tianjin Framework Agreement therefore constitute a connected transaction for the Company.

Since each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the estimated financial commitment of the Group for the acquisition of the Tianjin JV Land are less than 2.5%, the Tianjin Framework Agreement and the acquisition of the Tianjin JV Land are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

* *For identification purpose only.*

(8) On 17 March 2010, the Company, COLI Sub, ICBCIIM, ICBCIIM Sub and All Winwin entered into the JV Fund Agreement in relation to the establishment and management of the Fund and the JV Entities. The Company intends to establish the Fund for the purpose of investing in real estate investments and/or projects development opportunities in the PRC with other co-investors which include ICBCIIM and All Winwin. In connection with the establishment of the Fund, the parties also agreed to set up the JV Entities to manage and administer the affairs and investments of the Fund.

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective to invest directly or indirectly, in the real estate investment projects and/or property development opportunities in the PRC. The size of the Fund is estimated to range from approximately US$250 million (equivalent to approximately HK$1,950 million) to US$500 million (equivalent to approximately HK$3,900 million). As at the date of the JV Fund Agreement, the Company, ICBCIIM and All Winwin have accepted a total capital commitment of US$250 million (equivalent to approximately HK$1,950 million).

Pursuant to the JV Fund Agreement, following the holding of a board meeting of each of the JV Entities to resolve, among others, the allotment of shares in each JV Entities to COLI Sub, ICBCIIM Sub and All Winwin, COLI Sub, ICBCIIM Sub and All Winwin will subscribe the shares in each of the JV Entities at par. Their respective shareholding percentage in each of the JV Entities will be as follows:

JV Entity	Shareholding Structure (COLI Sub:ICBCIIM Sub:All Winwin)
Fund Management Company	45:45:10
General Partner	50:50
Investment Advisor	45:45:10
Special Limited Partner	45:45:10

The aggregate subscription monies for subscribing the shares in the JV Entities for each of COLI Sub, ICBCIIM Sub and All Winwin will approximately be US$450,100, US$450,101 and US$100,011 respectively. It has been agreed that the JV Entities are intended to be self-financing, and that no party (or any of its affiliates) to the JV Fund Agreement shall be obliged to contribute further funds or participate in any guarantee or similar undertaking for the benefit of the JV Entities or any of their subsidiaries (if any).

The Company, ICBCIIM and All Winwin (or their respective affiliates) will make their respective capital commitments to the Fund on First Closing. Pursuant to the JV Fund Agreement, it has been agreed that the respective capital commitments (directly or through their respective affiliates) to the Fund by the Company, ICBCIIM and All Winwin on the First Closing will be US$120 million (equivalent to approximately HK$936 million), US$120 million (equivalent to approximately HK$936 million) and US$10 million (equivalent to approximately HK$78 million) respectively. The aggregate capital commitment to the Fund by the Company, ICBCIIM and All Winwin will be US$250 million (equivalent to approximately HK$1,950 million). It has been agreed that none of the parties shall be obliged to make its respective capital commitment to the Fund unless each of the other parties makes their respective capital commitment to the Fund at the same time.

The capital commitment was determined after arms' length negotiations between the parties with reference to their respective shareholdings in the JV Entities and the capital requirement of the Fund. The Company intends to fund its capital commitment from internal resources of the Group.

Completion of the JV Fund Agreement in relation to the subscription of shares in the JV Entities by COLI Sub, ICBCIIM Sub and All Winwin shall take place on 8 April 2010 or such other date as may be agreed in writing between the Company and ICBCIIM.

The JV Fund Agreement shall commence on the date of the JV Fund Agreement and shall terminate on the occurrence of any of the following events:

(i) by the written agreement of the parties;

(ii) if only one of the parties continues to hold shares in the JV Entities;

(iii) on the winding up of the Fund and completion of the distribution of proceeds, if any, from such winding up; or

(iv) both the appointments of each of the General Partner and the Fund Management Company are terminated in accordance with the terms of the (1) the management agreement to be entered into between the Fund and the Fund Management Company; and (2) the limited partnership agreement of the Fund.

The Group strives to expedite its development and expand its development scale through joint ventures, merger and acquisitions. Setting up of the Fund is in line with this development strategy. The Board also considers that the JV Fund Transaction is a viable investment which will be beneficial to the Group and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, consider that the JV Fund Transaction was entered into in the ordinary and usual course of business of the Company and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As All Winwin is held as to 80% by Quality Time and Quality Time is wholly-owned by COHL, a substantial shareholder of the Company, All Winwin is an associate of COHL, and therefore, a connected person of the Company within the meaning of Chapter 14A of the Listing Rules. The JV Fund Transaction constitutes a connected transaction of the Company and is subject to Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined under the Listing Rules) with respect to the JV Fund Transaction exceed 0.1% but less than 2.5%, the JV Fund Transaction is only subject to reporting and announcement requirements set out in Rule 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirement.

Part D: During the year under review, the Group entered into the following non-exempt connected transactions or continuing connected transactions under Rule 14A.16(5) of the Listing Rules which have been approved by independent shareholders in pursuance of Rule 14A.17, Rule 14A.35 or Rule 14A.43 of the Listing Rules:

** (9) On 7 June 2006, the Company entered into an engagement agreement with CSCEC, which served as the basis for the Group to award construction contracts to certain subsidiaries of CSCEC in the PRC upon successful tender for each of the financial years from 2006 to 2008 in compliance with the continuing connected transaction requirements under the Listing Rules. The continuing connected transactions and the related annual cap of HK$1,600 million per annum under such engagement agreement with CSCEC were announced by the Company on 7 June 2006 and were approved by the Independent Shareholders on 12 July 2006.

As such engagement agreement with CSCEC has expired on 31 December 2008, and the related construction businesses of CSCEC has been transferred to CSCECL after an internal organisation of CSCEC in 2007, the Directors announced on 2 April 2009 that the Company and CSCECL entered into the new CSCECL Group Engagement Agreement, whereby the Group may engage the CSCECL Group as construction contractor in the PRC upon successful tender for a term of three years commencing from 1 June 2009 and ending on 31 May 2012 subject to the following Cap (the "**Cap**"):

Period	Total contract sum that may be awarded by the Group to the CSCECL Group shall not exceed
Between 1 June 2009 and 31 December 2009	RMB933.3 million
For each of the two years ending 31 December 2011	RMB1,600 million
Between 1 January 2012 and 31 May 2012	RMB666.7 million

CSCECL is the intermediate holding company of the Company. Accordingly, members of the CSCECL Group are connected persons of the Company. The transactions contemplated under the CSCECL Group Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the total contract sum that may be awarded to the CSCECL Group for each year/period under the CSCECL Group Engagement Agreement, i.e. the Cap, exceed 2.5%, the continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

CSCECL has a vast network of construction subsidiaries in the PRC. The CSCECL Group Engagement Agreement, in addition to the CSC Group Engagement Agreement (particulars refer to item (10) below), provides the Company with the option to engage the CSCECL Group (subject to successful tender) as construction contractor in the construction of its property development projects in the PRC.

Further details of the CSCECL Group Engagement Agreement, the Cap and the continuing connected transaction contemplated thereunder were given in a circular to Shareholders dated 23 April 2009, which were duly approved by Independent Shareholders at an extraordinary general meeting held on 27 May 2009.

During the year, the total contract sum awarded to CSCECL Group under the CSCECL Group Engagement Agreement is RMB764 million which did not exceed the Cap of RMB933.3 million.

** (10) During the year 2005 and 2006, the following agreements in relation to continuing connected transactions have been entered into with connected persons of the Company:

(a) SCOCE Engagement Agreement;

(b) CCEMacau Engagement Agreement;

(c) CSC Engagement Agreement;

(d) Master Tenancy Agreement; and

(e) Master Security Services Agreement.

Name of Agreement	Parties	Announcement Date (EGM date)	Period	Annual Cap shall not exceed
SCOCE Engagement Agreement	The Company and SCOCE (which has subsequently changed its name to SCOCL)	22 November 2005 (29 December 2005)	For three years ended 31 December 2008	HK$1,600 million per annum
CCEMacau Engagement Agreement	The Company and CCEMacau	22 November 2005 (29 December 2005)	For three years ended 31 December 2008	HK$200 million per annum
CSC Engagement Agreement	The Company and CSC	22 November 2005 (29 December 2005)	For three years ended 31 December 2008	HK$900 million per annum
Master Tenancy Agreement	On Success and CSCL	16 May 2006	From 1 July 2006 to 30 June 2007	HK$6,616,428
			From 1 July 2007 to 30 June 2008	HK$8,635,704
			From 1 July 2008 to 30 June 2009	HK$8,972,250
Master Security Services Agreement	COS and CSC	16 May 2006	For three years ended 31 December 2008	HK$30 million per annum

As the Master Tenancy Agreement would be expired on 30 June 2009 while the other agreements have been expired on 31 December 2008, the following new agreements were entered into with CSC on 2 April 2009 to replace such previous agreements:

(a) CSC Group Engagement Agreement;

(b) Master Lease Agreement; and

(c) new Master Security Services Agreement.

Name of Agreement	Parties	Announcement Date (EGM date)	Period	Annual Cap should not exceed
CSC Group Engagement Agreement	The Company and CSC	2 April 2009 (27 May 2009)	1 July 2009 to 31 December 2009	HK$1,000 million
			1 January 2010 to 31 December 2010	HK$2,000 million
			1 January 2011 to 31 December 2011	HK$2,000 million
			1 January 2012 to 30 June 2012	HK$1,000 million
Master Lease Agreement	The Company and CSC	2 April 2009	1 July 2009 to 31 December 2009	HK$6 million
			1 January 2010 to 31 December 2010	HK$12 million
			1 January 2011 to 31 December 2011	HK$12 million
			1 January 2012 to 30 June 2012	HK$6 million
New Master Security Services Agreement	The Company and CSC	2 April 2009	1 July 2009 to 31 December 2009	HK$15 million
			1 January 2010 to 31 December 2010	HK$30 million
			1 January 2011 to 31 December 2011	HK$30 million
			1 January 2012 to 30 June 2012	HK$15 million

According to the CSC Group Engagement Agreement, the Group may engage the CSC Group as construction contractor in the PRC, Hong Kong and Macau upon successful tender for three years and subject to the cap as shown in the table above.

According to the Master Lease Agreement, members of the CSC Group may lease properties from members of the Group for three years and subject to the cap as shown in the table above.

According to the new Master Security Services Agreement, members of the Group with the relevant licenses to provide security services in Hong Kong may provide security services to the work sites of the CSC Group upon successful tender for three years and subject to the cap as shown in the table above.

COHL is interested in approximately 51.7% of the issued share capital of COLI and approximately 62.9% of the issued share capital of CSC as at the date of announcement. Accordingly, members of the CSC Group are connected persons of COLI. The transactions contemplated under each of the CSC Group Engagement Agreement, the new Master Security Services Agreement and the Master Lease Agreement constitute continuing connected transactions for COLI under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules in respect of the maximum total contract sum that may be awarded to the CSC Group for each year/period under the CSC Group Engagement Agreement, i.e. the **Construction Works Cap**, exceed 2.5%, the transactions contemplated under the CSC Group Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

Since each of the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules in respect of the maximum aggregate rental (exclusive of rates, government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) payable by the CSC Group to the COLI Group for each year/period under the Master Lease Agreement, i.e. the **Lease Cap**, is less than 0.1%, the transactions contemplated under the Master Lease Agreement are exempt from the annual review, reporting, announcement and the independent shareholders' approval requirements. The disclosure in the announcement in relation to the Master Lease Agreement is made on a voluntary basis by COLI.

Since each of the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules in respect of the maximum total contract sum for the provision of the security services by the COLI Group for each year/period under the new Master Security Services Agreement, i.e. the **Security Services Cap**, is less than 2.5%, the transactions contemplated under the Master Security Services Agreement are subject only to the annual review, reporting and announcement requirements, and are exempt from the independent shareholders' approval requirement.

Further details of the CSC Group Engagement Agreement, the Construction Works Cap and the continuing connected transaction contemplated thereunder were given in a circular to Shareholders dated 23 April 2009, and were duly approved by Independent Shareholders at an extraordinary general meeting held on 27 May 2009.

During the year, the total contract sum awarded to the CSC Group under the CSC Group Engagement Agreement was HK$136.9 million which did not exceed the cap of HK$1,000 million.

During the year, the rental paid by the CSC Group under the Master Lease Agreement was HK$4.3 million which did not exceed the cap of HK$6 million.

During the year, the total contract sum awarded by the CSC Group to the Group under the new Master Security Services Agreement was HK$13.7 million which did not exceed the cap of HK$15 million.

(11) On 24 September 2009, China Overseas Shanghai (a wholly owned subsidiary of the Company), CSCECL and CSCNo.8 (a wholly owned subsidiary of CSCECL) entered into the JV Agreement, pursuant to which the parties agreed to form a joint venture to jointly develop the Shanghai JV Land, located at the prime site of Shanghai, which China Overseas Shanghai has acquired at a price of RMB7,006 million (approximately HK$7,961 million) by winning an open tender on 10 September 2009.

The Group intends to develop the Shanghai JV Land into a residential development. It is expected that the development of the Shanghai JV Land will be completed in around four years and the total investment amount is estimated to be approximately RMB10,300 million (approximately HK$11,705 million). The Directors consider that the formation of a joint venture with CSCECL for the development of the Shanghai JV Land is in line with the Group´s overall development strategy to share the funding burden with its parent group.

A JV Company which is wholly owned by China Overseas Shanghai, with a paid-up registered capital of RMB10 million (approximately HK$11.4 million), as the project company to hold and develop the Shanghai JV Land has been set up by China Overseas Shanghai in pursuance of the tender documents.

A joint venture shall be formed by China Overseas Shanghai, CSCECL and CSCNo.8 through a transfer of 50% equity interest in the JV Company by China Overseas Shanghai to CSCECL and CSCNo.8 at a total cash consideration of RMB5 million (representing half of the JV Company´s existing registered capital fully paid up by China Overseas Shanghai) or through cash injections by each of China Overseas Shanghai, CSCECL and CSCNo.8 proportionally to increase the registered capital of the JV Company such that the equity interests of the JV Company will be owned by China Overseas Shanghai, CSCECL and CSCNo.8 as to 50%, 30% and 20% respectively ("**Formation**"). On completion of such Formation, the JV Company will become a jointly-controlled entity of the Company. China Overseas Shanghai, CSCECL and CSCNo.8 shall provide funds as required by the JV Company from time to time by way of capital injections, loans or guarantees and share the profits, risks and losses of the JV Company in proportion to their respective equity interests in the JV Company.

The total financial commitment of the Group in the JV Company is estimated to be approximately RMB5,150 million (approximately HK$5,852 million), representing half of the estimated total investment amount for the development of the Shanghai JV Land. The Group intends to fund its financial commitment from its internal resources and/or bank borrowings.

The joint venture is for a term of 10 years from the issue of a new business licence following the Formation and will dissolve after the development of the Shanghai JV Land is completed, if earlier.

CSCECL is the intermediate holding company of the Company. Therefore, CSCECL and CSCNo.8 are connected persons of the Company. Accordingly, the Shanghai JV Land Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the largest applicable percentage ratio as defined under the Listing Rules calculated for the Company in respect of the Shanghai JV Land Transaction exceeds 5%, the Shanghai JV Land Transaction constitutes a discloseable and connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Further details of the Shanghai JV Land Transaction and the connected transaction contemplated thereunder, which were given in a circular to Shareholders dated 13 October 2009, were duly approved by Independent Shareholders at an extraordinary general meeting held on 3 November 2009.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported their factual findings on these procedures to the board of directors.

Having reviewed the connected transactions or continuing connected transactions contemplated above, the directors (including the independent non-executive directors), opined that the connected transactions or continuing connected transactions contemplated above were carried out (i) on normal commercial terms at which the transactions are either on an arm's length basis or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; (ii) in the ordinary and usual course of business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board also confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

** *These connected transactions or continuing connected transactions also constitute related party transactions under the applicable Statement of Standard Accounting Practice.*

Deloitte.
德勤

TO THE MEMBERS OF CHINA OVERSEAS LAND & INVESTMENT LTD.
中國海外發展有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Land & Investment Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 119 to 206 which comprise the Group's consolidated and the Company's statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	7	**37,321,630**	18,892,373
Cost of sales		**(24,969,281)**	(10,158,765)
Direct operating expenses		**(574,826)**	(562,909)
		11,777,523	8,170,699
Gain arising from changes in fair value of investment properties	16	**1,319,532**	1,666,701
Gain on disposal of subsidiaries		**—**	276,350
Gain (loss) arising from changes in fair value of investments held-for-trading		**10,452**	(24,049)
Other income	9	**478,545**	525,875
Selling and distribution costs		**(529,324)**	(677,754)
Administrative expenses		**(797,480)**	(897,010)
Operating profit		**12,259,248**	9,040,812
Share of profits (losses) of			
Associates		**3,683**	(10,982)
Jointly controlled entities		**19,238**	(26,848)
Finance costs	10	**(228,414)**	(417,682)
Profit before tax		**12,053,755**	8,585,300
Income tax expense	11	**(4,449,692)**	(3,513,018)
Profit for the year	12	**7,604,063**	5,072,282
Other comprehensive income			
Exchange differences arising on translation		**5,026**	1,487,075
Share of exchange difference of associates		**—**	13,101
Share of exchange difference of jointly controlled entities		**1,315**	311,675
Change in fair value of investments in syndicated property project companies		**2,317**	3,380
Reclassification adjustment of exchange difference upon disposal of subsidiaries		**—**	(114,361)
Reclassification adjustment of other reserve upon realisation of assets		**54,440**	72,945
Other comprehensive income for the year, net of tax		**63,098**	1,773,815
Total comprehensive income for the year		**7,667,161**	6,846,097
Profit for the year attributable to:			
Owners of the Company		**7,468,928**	5,048,637
Minority interests		**135,135**	23,645
		7,604,063	5,072,282
Total comprehensive income attributable to:			
Owners of the Company		**7,530,334**	6,755,120
Minority interests		**136,827**	90,977
		7,667,161	6,846,097
		HK cents	*HK cents (Restated)*
EARNINGS PER SHARE	15		
Basic		**91.6**	64.2
Diluted		**91.5**	64.0

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current Assets			
Investment properties	16	**7,747,599**	6,428,067
Property, plant and equipment	17	**248,500**	275,520
Prepaid lease payments for land	18	**52,379**	63,465
Interests in associates	20	**180,600**	164,581
Interests in jointly controlled entities	21	**2,558,944**	1,947,655
Investments in syndicated property project companies	22	**20,971**	18,654
Amounts due from associates	23	**87,424**	90,108
Amounts due from jointly controlled entities	23	**9,172,006**	4,071,170
Amounts due from syndicated property project companies	23	**436**	1,056
Other financial assets	25	**30,161**	42,443
Goodwill	43	**109,021**	109,021
Deferred tax assets	40	**650,791**	485,090
		20,858,832	13,696,830
Current Assets			
Inventories	26	**3,718**	2,999
Stock of properties	27	**50,447,028**	53,978,804
Investments held-for-trading	28	**—**	9,506
Prepaid lease payments for land	18	**4,013**	3,846
Trade and other receivables	29	**1,120,299**	1,044,655
Deposits and prepayments		**1,059,712**	1,267,327
Deposits for land to be developed for sale		**15,934,835**	1,652,747
Amount due from immediate holding company	30	**—**	618,249
Amount due from an associate	30	**142,929**	613,246
Amounts due from jointly controlled entities	30	**276,369**	3,312,030
Amounts due from minority shareholders	30	**75,007**	138,647
Tax prepaid		**331,926**	231,407
Bank balances and cash	31	**23,862,725**	9,006,148
		93,258,561	71,879,611
Current Liabilities			
Trade and other payables	32	**10,963,564**	7,824,472
Deposits for proposed open offer		**—**	1,214,275
Pre-sales deposits		**17,522,447**	11,846,616
Rental and other deposits		**1,240,783**	434,248
Amount due to immediate holding company	33	**9,659,281**	—
Amount due to a fellow subsidiary	33	**251,292**	174,934
Amounts due to associates	33	**209,906**	181,905
Amounts due to jointly controlled entities	33	**524,249**	483,658
Tax liabilities		**5,459,135**	3,829,624
Bank loans—due within one year	37	**4,364,155**	3,946,026
		50,194,812	29,935,758
Net Current Assets		**43,063,749**	41,943,853
		63,922,581	55,640,683

	Notes	2009 HK$'000	2008 HK$'000
Capital and Reserves			
Share capital	35	**816,902**	785,070
Reserves		**41,276,170**	32,434,712
Equity attributable to owners of the Company		**42,093,072**	33,219,782
Minority interests		**(283,441)**	(335,394)
Total Equity		**41,809,631**	32,884,388
Non-current Liabilities			
Bank loans—due after one year	37	**16,969,870**	18,320,005
Guaranteed notes payable	38	**2,332,426**	2,329,431
Amounts due to minority shareholders	39	**820,310**	850,983
Deferred tax liabilities	40	**1,990,344**	1,255,876
		22,112,950	22,756,295
		63,922,581	55,640,683

The financial statements on pages 119 to 206 were approved and authorised for issue by the Board of Directors on 18 March 2010 and are signed on its behalf by:

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Company Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current Assets			
Property, plant and equipment	17	**1,343**	5,649
Prepaid lease payments for land	18	**123**	185
Investments in subsidiaries	19	**1,746,798**	1,304,616
Amounts due from subsidiaries	24	**7,139,898**	7,280,615
		8,888,162	8,591,065
Current Assets			
Stock of properties	27	**1,751**	1,775
Prepaid lease payments for land	18	**62**	62
Trade and other receivables	29	**27,552**	29,446
Deposits and prepayments		**9,828**	7,131
Amounts due from subsidiaries	24	**36,989,917**	24,466,212
Tax prepaid		**118**	118
Bank balances and cash	31	**3,380,844**	1,985,424
		40,410,072	26,490,168
Current Liabilities			
Trade and other payables	32	**20,140**	111,243
Deposits for proposed open offer		**—**	1,214,275
Other deposits		**148**	148
Amount due to immediate holding company	33	**9,659,281**	—
Amounts due to subsidiaries	34	**1,520,101**	1,763,590
Bank loans—due within one year	37	**877,500**	—
Other financial liabilities	25	**21,723**	11,986
		12,098,893	3,101,242
Net Current Assets		**28,311,179**	23,388,926
		37,199,341	31,979,991
Capital and Reserves			
Share capital	35	**816,902**	785,070
Reserves	36	**20,525,344**	17,753,955
Total Equity		**21,342,246**	18,539,025
Non-current Liabilities			
Bank loans—due after one year	37	**13,460,500**	11,038,000
Amount due to a subsidiary	34	**2,377,198**	2,377,168
Other financial liabilities	25	**19,397**	25,798
		15,857,095	13,440,966
		37,199,341	31,979,991

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note a)	PRC statutory reserve HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
THE GROUP													
At 1 January 2008	774,371	15,148,517	18,798	3,380	22,950	15,230	1,870,174	(142,775)	350,384	8,221,011	26,282,040	(491,938)	25,790,102
Profit for the year	—	—	—	—	—	—	—	—	—	5,048,637	5,048,637	23,645	5,072,282
Exchange differences arising on translation	—	—	—	—	—	—	1,419,743	—	—	—	1,419,743	67,332	1,487,075
Share of exchange difference of associates	—	—	—	—	—	—	13,101	—	—	—	13,101	—	13,101
Share of exchange difference of jointly controlled entities	—	—	—	—	—	—	311,675	—	—	—	311,675	—	311,675
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	3,380	—	—	—	—	3,380	—	3,380
Reclassification adjustment of exchange difference upon disposal of subsidiaries	—	—	—	—	—	—	(114,361)	—	—	—	(114,361)	—	(114,361)
Reclassification adjustment of other reserve upon realisation of assets	—	—	—	—	—	—	—	72,945	—	—	72,945	—	72,945
Total comprehensive income for the year	—	—	—	—	—	3,380	1,630,158	72,945	—	5,048,637	6,755,120	90,977	6,846,097
2007 final dividend paid	—	—	—	—	—	—	—	—	—	(543,799)	(543,799)	—	(543,799)
Issue of shares upon exercise of share options	1,236	14,986	—	(2,287)	—	—	—	—	—	—	13,935	—	13,935
Share issue expenses-share options	—	(12)	—	—	—	—	—	—	—	—	(12)	—	(12)
Issue of shares upon exercise of warrants	9,463	1,173,434	—	—	—	—	—	—	—	—	1,182,897	—	1,182,897
Share issue expenses-warrants	—	(129)	—	—	—	—	—	—	—	—	(129)	—	(129)
Recognition of share-based payments	—	—	—	725	—	—	—	—	—	—	725	—	725
Contributions from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	65,567	65,567
2008 interim dividend paid	—	—	—	—	—	—	—	—	—	(470,995)	(470,995)	—	(470,995)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	151,579	(151,579)	—	—	—
At 31 December 2008	785,070	16,336,796	18,798	1,818	22,950	18,610	3,500,332	(69,830)	501,963	12,103,275	33,219,782	(335,394)	32,884,388
Profit for the year	—	—	—	—	—	—	—	—	—	7,468,928	7,468,928	135,135	7,604,063
Exchange differences arising on translation	—	—	—	—	—	—	3,334	—	—	—	3,334	1,692	5,026
Share of exchange difference of jointly controlled entities	—	—	—	—	—	—	1,315	—	—	—	1,315	—	1,315
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	2,317	—	—	—	—	2,317	—	2,317
Reclassification adjustment of other reserve upon realisation of assets	—	—	—	—	—	—	—	54,440	—	—	54,440	—	54,440
Total comprehensive income for the year	—	—	—	—	—	2,317	4,649	54,440	—	7,468,928	7,530,334	136,827	7,667,161
2008 final dividend paid	—	—	—	—	—	—	—	—	—	(571,531)	(571,531)	—	(571,531)
Issue of shares upon open offer	31,402	2,480,821	—	—	—	—	—	—	—	—	2,512,223	—	2,512,223
Share issue expenses—open offer	—	(30,346)	—	—	—	—	—	—	—	—	(30,346)	—	(30,346)
Issue of shares upon exercise of share options	430	5,200	—	(826)	—	—	—	—	—	—	4,804	—	4,804
Share issue expenses—share options	—	(626)	—	—	—	—	—	—	—	—	(626)	—	(626)
Recognition of share-based payments	—	—	—	199	—	—	—	—	—	—	199	—	199
Contributions from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	49,145	49,145
2009 interim dividend paid	—	—	—	—	—	—	—	—	—	(571,767)	(571,767)	—	(571,767)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(158,845)	(158,845)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	82,156	82,156
Return of capital to minority interest shareholder	—	—	—	—	—	—	—	—	—	—	—	(57,330)	(57,330)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	217,748	(217,748)	—	—	—
At 31 December 2009	**816,902**	**18,791,845**	**18,798**	**1,191**	**22,950**	**20,927**	**3,504,981**	**(15,390)**	**719,711**	**18,211,157**	**42,093,072**	**(283,441)**	**41,809,631**

Note a: Other reserve arose from the acquisition of additional interest in subsidiaries from minority shareholders through the acquisition of subsidiaries in 2006. The amount represents the difference between the consideration paid and the carrying value of the net assets attributable to the additional interest acquired, net of amount released upon realisation of the underlying assets of the subsidiaries after the acquisition.

Note b: PRC statutory reserve of the Group represents general and development fund reserve applicable to subsidiaries which was established in accordance with the relevant People's Republic of China ("the PRC") regulations.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**12,053,755**	8,585,300
Adjustments for:			
Share of (profits) losses of associates		**(3,683)**	10,982
Share of (profits) losses of jointly controlled entities		**(19,238)**	26,848
Finance costs		**228,414**	417,682
Depreciation and amortisation		**40,490**	73,643
Interest income		**(403,273)**	(231,292)
Share-based payment expense		**199**	725
Gain arising from changes in fair value of investment properties		**(1,319,532)**	(1,666,701)
Gain on disposal of subsidiaries		**—**	(276,350)
Loss (gain) on disposal of property, plant and equipment		**1,164**	(4,316)
(Gain) loss arising from changes in fair value of investments held-for-trading		**(10,452)**	24,049
Operating cash flows before movements in working capital		**10,567,844**	6,960,570
(Increase) decrease in instalments receivable		**(1,272)**	3,641
(Increase) decrease in inventories		**(719)**	1,176
Decrease (increase) in stock of properties		**4,762,242**	(11,955,784)
Decrease in investments held-for-trading		**19,958**	39,785
Decrease in trade and other receivables, deposits and prepayments		**135,280**	155,376
(Increase) decrease in deposits for land to be developed for sale		**(14,279,723)**	879,501
Decrease in restricted bank balances		**421,623**	88,613
Increase in trade and other payables, pre-sales deposits, and rental and other deposits		**9,591,572**	3,530,106
Cash from (used in) operations		**11,216,805**	(297,016)
Income taxes paid		**(2,357,082)**	(2,555,487)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**8,859,723**	(2,852,503)
INVESTING ACTIVITIES			
Interest received		**206,005**	155,457
Dividends from jointly controlled entities received		**101,111**	12,455
Dividends from associates received		**—**	125
Decrease in pledged bank deposits		**13,554**	49,697
Purchase of property, plant and equipment		**(24,093)**	(1,441,281)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	*42*	**—**	456,072
Repayment from associates		**500,857**	329,896
Advances to jointly controlled entities		**(2,199,143)**	(4,892,792)
Repayment of capital from jointly controlled entities		**—**	23,868
Repayment from syndicated property project companies		**620**	817
Repayment from immediate holding company		**619,134**	—
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	*41*	**(507,984)**	—
Acquisition of additional interest in a subsidiary		**(869)**	—
Capital contributions to jointly controlled entities		**(335,778)**	—
Net proceeds on disposal of prepaid lease payments for land		**7,016**	—
Net proceeds on disposal of property, plant and equipment		**13,790**	9,334
NET CASH USED IN INVESTING ACTIVITIES		**(1,605,780)**	(5,296,352)

	Note	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(766,365)**	(1,213,295)
Other finance costs paid		**(15,324)**	(62,909)
Cash dividends paid		**(1,143,298)**	(1,014,794)
Dividends paid to minority shareholders		**(158,845)**	—
Net proceeds from issue of shares		**1,271,780**	1,196,691
New bank loans raised		**5,026,292**	11,923,393
Repayment of bank loans		**(5,990,161)**	(3,990,376)
Receipt from underwriter on open offer of the Company		**—**	1,214,275
Return of capital to a minority shareholder		**(57,330)**	—
Advance from immediate holding company		**9,659,281**	209,751
Advance from a fellow subsidiary		**76,108**	39,070
Contributions from minority shareholders of subsidiaries		**1,622**	3,654
Loans from (repayment to) minority shareholders of subsidiaries		**114,972**	(41,413)
NET CASH FROM FINANCING ACTIVITIES		**8,018,732**	8,264,047
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,272,675**	115,192
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**8,503,256**	7,886,655
Effect of foreign exchange rate changes		**5,525**	501,409
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*44*	**23,781,456**	8,503,256

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's parent company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong, and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC. The registered office and principal place of business of the Company is situated at 10th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shanghai, Beijing, Foshan, Chengdu, Nanjing, Suzhou and other regions in the PRC.

The Company's functional currency is Renminbi. The financial information is presented in Hong Kong dollars ("HK$") as the directors consider that HK$ is the appropriate presentation currency for the users of the Group's financial statements as the management of the Company control and monitor the performance and financial position of the Company by using HK$.

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, real estate agency and management, and treasury operations.

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

In the current year, the Group has applied the following Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), Amendments and Interpretations ("HK(IFRIC) Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 24 (Revised)	Related Party Disclosures (only paragraphs 25 to 27 in respect of the partial exemption from disclosure requirements for government related entities)
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

Except as described below the adoption of these new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting period.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments and changes in the basis of measurement of segment result, except the Group's assets and liabilities have not been reported segmentally (see note 8).

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not provided comparative information for the expanded disclosures in respect of fair value measurements of financial instruments in accordance with the transitional provision set out in the amendments.

HK(IFRIC)-Int 15 Agreements for the Construction of Real Estate

In previous years, when properties were sold under pre-sale arrangements prior to the completion of the development, revenue and profit were recognised upon the execution of a binding sales agreement or upon the issuance of an occupation permit/completion certificate by the relevant authority, whichever was the later. With the issuance of HK(IFRIC)-Int 15, which contains more detailed guidance on the accounting treatment for such real estate transactions, the Directors of the Company have reassessed the Group's accounting policy on revenue recognition for sales of properties and are of the view that property sales should be recognised when the respective properties have been completed and delivered to the buyers. The effects of these changes in the accounting policy on the financial results for the current and prior years is insignificant and hence the comparative figures of the financial statements for the year ended 31 December 2008 have not been restated.

HKAS 24 (Revised) Related Party Disclosures

The Group has early adopted the partial exemption from certain disclosure requirements set out in HKAS 24 (Revised) for government-related entities. A government-related entity as defined in HKAS 24 (Revised) is exempt from some of the detailed disclosure requirements in relation to certain transactions and outstanding balances (including commitments) between the entity and a government that has control, joint control or significant influence over the entity; and between the entity and another entity over which the same government has control, joint control or significant influence.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures, except for paragraphs 25 to 27 in respect of the partial exemption from disclosure requirements for government related entities[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Companies Ordinance.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. Significant Accounting Policies *(continued)*

Business Combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. Significant Accounting Policies *(continued)*

Acquisition of Additional Interests in Subsidiaries

On acquisition of additional interests in subsidiaries, the difference between the fair value and the carrying amount of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to reserve. The minority interest will be reduced by the book value of the net assets. If any, goodwill or discount arising on purchase of the additional interest is calculated as the difference between the additional cost of the interest acquired and the increase in the Group's interest based on the fair value of all identifiable assets and liabilities of the subsidiary. The reserve will be recognised in the profit or loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of the changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. Significant Accounting Policies *(continued)*

Interests in Jointly Controlled Entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of the changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the jointly controlled entity. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

For a transfer from stock of properties to investment property (which is evidenced by commencement of an operating lease) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Property, Plant and Equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Prior to 1 January 2009, property that was being constructed or developed for future use as an investment property was included in construction in progress until construction or development was complete, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Impairment Losses on Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Prepaid Lease Payments for Land

Prepaid lease payments for land are amortised over the lease term on a straight-line basis. For lease payments that cannot be allocated reliably between the land and buildings elements, the entire lease is generally treated as a finance lease. When property interest held under an operating lease is classified as an investment property, such property interest is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from immediate holding company, subsidiaries, associates, jointly controlled entities, syndicated property project companies and minority shareholders, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. Available-for-sale financial assets (comprising investments in syndicated property project companies) are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables and deteriorated value in collateral assets.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amounts due from associates are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial Liabilities and Equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including trade and other payables, amounts due to associates, jointly controlled entities, minority shareholders, immediate holding company, subsidiaries and a fellow subsidiary, bank loans and guaranteed notes payable) are measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form as integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Stock of Properties

Completed Properties and Properties Under Development

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3. Significant Accounting Policies *(continued)*

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Operating Leases

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement Benefit Costs

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies *(continued)*

Share Options Granted to Employees

For share options granted after 7 November 2002 and had not yet vested on 1 January 2005 and all share options granted on or after 1 January 2005, the fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

In relation to share options granted before 1 January 2005, the Group chose not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005 and accordingly, the consolidated financial statements did not recognise the financial effect of these share options until they were exercised.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of Properties

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Property Rentals

Rental income from properties under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Real Estate Agency and Management Services

Revenue from the provision of real estate agency and management services is recognised when services are provided.

Dividend Income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest Income

Interest income from a financial asset excluding financial assets at FVTPL is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2009 at their fair values of approximately HK$7,748 million (2008: approximately HK$6,428 million). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

(b) Impairment of Investments in Jointly Controlled Entities

Management assessed the recoverability of the Group's investments in jointly controlled entities undertaking toll bridge and property development projects in the PRC with an aggregate carrying amount of approximately HK$1,430 million and approximately HK$1,089 million included in the consolidated statement of financial position at 31 December 2009.

(i) Toll bridge projects investments

The assessment was based on the projected revenue to be derived by these entities from the operation of toll bridges over the remaining joint venture periods discounted by a suitable rate ranging from 10% to 14% per annum to arrive at their present value. Should the actual toll revenue be less than that projected as a result of a reduction of road usage and/or toll fees, an impairment loss may arise.

(ii) Property development projects investment

The assessment was based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

4. Key Sources of Estimation Uncertainty *(continued)*

(c) Impairment of Stock of Properties and Amounts due from Associates and Jointly Controlled Entities

Included in the consolidated statement of financial position at 31 December 2009 are stock of properties with an aggregate carrying amount of approximately HK$50,447 million (2008: approximately HK$53,979 million), amounts due from jointly controlled entities and associates engaging principally in property development activities of approximately HK$9,448 million (2008: approximately HK$7,383 million) and approximately HK$230 million (2008: approximately HK$703 million), respectively. Management assessed the recoverability of these amounts based on an estimation set out in note 6(b)(ii).

(d) Land Appreciation Tax ("LAT")

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including the amortisation of land use rights, borrowing costs and all property development expenditure.

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provisions for LAT in the period in which such determination is made.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes advances from immediate holding company, bank loans and guaranteed notes payable disclosed in notes 33, 37 and 38 respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in note 3 to the financial statements.

6a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Investments held-for-trading	**—**	9,506	**—**	—
Loans and receivables at amortised cost (including cash and cash equivalents)	**34,767,356**	18,937,752	**47,538,211**	33,761,697
Available-for-sale financial assets (investments in syndicated property project companies)	**20,971**	18,654	**—**	—
Financial liabilities				
Liabilities at amortised cost	**46,095,053**	34,111,414	**27,914,720**	15,290,001
Financial guarantee contracts	**—**	—	**41,120**	37,784

6b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, borrowings, trade and other receivables, trade and other payables, amounts due from/to affiliated companies and bank balances. Details of the financial instruments are disclosed in the respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank loans and amounts due from jointly controlled entities amounting to approximately HK$14,338 million (2008: HK$11,038 million) and approximately HK$1,151 million (2008: HK$980 million), respectively. The variable-rate bank loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The Company's cash flow interest rate risk relates primarily to its variable-rate bank loans. The Group's and the Company's cash flow interest rate risk are mainly concentrated on the fluctuation of HIBOR arising from their HK$ denominated borrowings.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate restricted bank deposits, amounts due from jointly controlled entities, fixed-rate bank loans and guaranteed notes payable, amounting to approximately HK$81 million (2008: HK$503 million), approximately HK$171 million (2008: HK$340 million), approximately HK$6,996 million (2008: HK$11,228 million) and approximately HK$2,332 million (2008: HK$2,329 million), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rate amounts due from subsidiaries amounting to approximately HK$4,476 million (2008: HK$4,595 million). Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on variable-rate bank loans and amounts due from jointly controlled entities. The analysis is prepared assuming the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

THE GROUP

If interest rates had been 100 (2008: 100) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by HK$36,326,000 (2008: decrease/increase by HK$31,396,000) after capitalising of finance costs in properties under development of HK$95,548,000 (2008: HK$69,186,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and amounts due from jointly controlled entities.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Interest rate risk sensitivity analysis *(continued)*

THE COMPANY

If interest rates had been 100 (2008: 100) basis point higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2009 would decrease/increase by HK$135,942,000 (2008: decrease/increase by HK$110,380,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
HK$	**2,940,986**	3,326,552	**37,356,594**	33,261,899
United States dollars ("US$")	**6,760,362**	6,505,192	**528,012**	499,798
Liabilities				
HK$	**14,637,766**	11,191,310	**15,883,916**	12,912,833
US$	**2,395,830**	2,392,835	**2,380,484**	2,399,075

Currency risk sensitivity analysis

The Group mainly exposes to the currency of US$ and HK$. The following table details the Group's sensitivity to a 5% (2008: 10%) increase and decrease in the RMB against US$ and HK$, respectively. 5% (2008: 10%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk sensitivity analysis *(continued)*

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2008: 10%) change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the currency of the lender or the borrower receivables or payables. A positive number below indicates an increase in profit where RMB strengthens against US$ or HK$. For a 5% (2008: 10%) weakening of RMB against the US$ or HK$, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2009 ***HK$'000***	2008 *HK$'000*
THE GROUP		
RMB against HK$		
Profit for the year	**584,839**	786,476
RMB against US$		
Profit for the year	**(218,227)**	(411,236)

Note: This is mainly attributable to the net exposure to outstanding receivables and payables in respective US$ or HK$ at end of reporting period.

	2009 ***HK$'000***	2008 *HK$'000*
THE COMPANY		
RMB against HK$		
Profit for the year	**(1,073,634)**	(2,034,907)
RMB against US$		
Profit for the year	**92,624**	189,928

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(ii) Credit risk

As at 31 December 2009, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 46.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds as well as amounts due from associates, jointly controlled entities, syndicated property project companies, immediate holding company and minority shareholders, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the associates, jointly controlled entities, syndicated property project companies, immediate holding company and minority shareholders. In addition, the Group reviews the recoverable amounts of the individual debts to ensure that adequate impairment losses are made for the irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is mitigated. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2009, the Group has available unutilised loan facilities of approximately HK$2,662 million (2008: HK$4,452 million) as disclosed in note 37.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1–5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009								
Trade and other payables	—	7,541,287	1,860,131	800,358	752,266	9,522	10,963,564	10,963,564
Amount due to immediate holding company	—	9,659,281	—	—	—	—	9,659,281	9,659,281
Amounts due to associates	—	209,906	—	—	—	—	209,906	209,906
Amounts due to jointly controlled entities	—	524,249	—	—	—	—	524,249	524,249
Amount due to a fellow subsidiary	—	251,292	—	—	—	—	251,292	251,292
Amounts due to minority shareholders	6.00	—	—	—	864,232	—	864,232	820,310
Bank loans—variable rate	1.15	414,337	39,560	580,848	13,683,720	—	14,718,465	14,338,000
Bank loans—fixed rate	5.15	655,500	1,627,137	1,479,730	3,636,966	—	7,399,333	6,996,025
Guaranteed notes payable	5.75	3,871	—	67,275	2,609,100	—	2,680,246	2,332,426
Financial guarantee contracts	—	7,979,000	—	—	—	—	7,979,000	—
		27,238,723	3,526,828	2,928,211	21,546,284	9,522	55,249,568	46,095,053

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1–5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008								
Trade and other payables	—	6,230,524	423,287	665,357	489,385	15,919	7,824,472	7,824,472
Amounts due to associates	—	181,905	—	—	—	—	181,905	181,905
Amounts due to jointly controlled entities	—	483,658	—	—	—	—	483,658	483,658
Amount due to a fellow subsidiary	—	174,934	—	—	—	—	174,934	174,934
Amounts due to minority shareholders	6.00	—	—	—	899,707	—	899,707	850,983
Bank loans—variable rate	2.06	56,613	56,613	114,470	11,646,407	—	11,874,103	11,038,000
Bank loans—fixed rate	7.03	587,381	970,818	2,856,026	7,883,917	—	12,298,142	11,228,031
Guaranteed notes payable	5.75	3,871	—	67,275	2,743,650	—	2,814,796	2,329,431
Financial guarantee contracts	—	5,217,000	—	—	—	—	5,217,000	—
		12,935,886	1,450,718	3,703,128	23,663,066	15,919	41,768,717	34,111,414

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables *(continued)*

THE COMPANY

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3–6 months *HK$'000*	6 months to 1 year *HK$'000*	1–5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2009 *HK$'000*
2009							
Trade and other payables	—	20,140	—	—	—	20,140	20,140
Amount due to immediate holding company	—	9,659,281	—	—	—	9,659,281	9,659,281
Amounts due to subsidiaries (current)	—	1,520,101	—	—	—	1,520,101	1,520,101
Amount due to a subsidiary (non-current)	5.75	—	—	136,688	2,513,887	2,650,575	2,377,198
Bank loans—variable rate	1.15	414,337	39,560	580,848	13,683,720	14,718,465	14,338,000
Financial guarantee contracts	—	—	—	33,000	4,990,007	5,023,007	41,120
		11,613,859	39,560	750,536	21,187,614	33,591,569	27,955,840

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3–6 months *HK$'000*	6 months to 1 year *HK$'000*	1–5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2008 *HK$'000*
2008							
Trade and other payables	—	89,342	—	21,901	—	111,243	111,243
Amounts due to subsidiaries (current)	—	1,763,590	—	—	—	1,763,590	1,763,590
Amount due to a subsidiary (non-current)	5.75	—	—	136,687	2,650,542	2,787,229	2,377,168
Bank loans—variable rate	2.06	56,613	56,613	114,470	11,646,407	11,874,103	11,038,000
Financial guarantee contracts	—	—	—	—	4,829,227	4,829,227	37,784
		1,909,545	56,613	273,058	19,126,176	21,365,392	15,327,785

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. Financial Instruments *(continued)*

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of investments held-for-trading is estimated using quoted market bid prices in active markets for identical assets or liabilities;

- The fair value of investments in syndicated property project companies is estimated by reference to the fair value of the properties held by these companies;

- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default; and

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Other than the guaranteed notes payable that is disclosed in note 38 to the financial statements, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The investments in syndicated property project companies are measured subsequent to initial recognition at fair value, their fair value measurements are classified to level 2 those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

There were no transfer between level 1 and level 2 in the current year.

7. Turnover

Turnover represents proceeds from sales of properties, property rentals, real estate agency and management service fees and other income. An analysis of the Group's turnover for the year is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Proceeds from sales of properties	**36,382,883**	17,891,210
Property rentals	**195,040**	201,792
Revenue from real estate agency and management services	**565,546**	448,263
Other income *(Note)*	**178,161**	351,108
	37,321,630	18,892,373

Note: Other income mainly comprises of revenue from the provision of logistics operations and building design consultancy services.

8. Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, and has had no significant impact on the reported segment results of the Group.

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 chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 are as follows:

Property development — development and sales of properties

Property investment — property letting

Other operations — property management, property agency, logistics operations, building design consultancy services and securities trading

8. Segment Information *(continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

Year ended 31 December 2009

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Segment revenue	**36,382,883**	**195,040**	**743,707**	**37,321,630**
Segment profit	**10,475,868**	**1,479,599**	**16,454**	**11,971,921**

Year ended 31 December 2008

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Segment revenue	17,891,210	201,792	799,371	18,892,373
Segment profit	6,730,746	1,839,954	138,617	8,709,317

Reconciliation of reportable segment profit to the consolidated profit before taxation

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment without allocation of gain on disposal of subsidiaries, interest income, central administration costs, directors' salaries, share of results of associates and jointly controlled entities, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

	2009 HK$'000	2008 HK$'000
Reportable segment profit	**11,971,921**	8,709,317
Unallocated items:		
Interest income	**403,273**	231,292
Gain on disposal of subsidiaries	**—**	276,350
Share of profits of associates	**3,683**	(10,982)
Share of profits of jointly controlled entities	**19,238**	(26,848)
Corporate expenses	**(115,946)**	(176,147)
Finance costs	**(228,414)**	(417,682)
Consolidated profit before tax	**12,053,755**	8,585,300

The Group's chief operating decision maker does not review the segment assets and liabilities for the purpose of allocating resources to segments and assessing their performance. Therefore, no segment assets and liabilities are presented.

8. Segment Information *(continued)*

Other Segment information

Year ended 31 December 2009

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Loss on disposal of property, plant and equipment, prepaid lease payments for land and investment properties	**(1,103)**	**—**	**(61)**	**(1,164)**
Depreciation and amortisation	**19,176**	**5,281**	**16,033**	**40,490**
Gain arising from changes in fair value of investment properties	**—**	**1,319,532**	**—**	**1,319,532**

Year ended 31 December 2008

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Gain on disposal of property, plant and equipment, prepaid lease payments for land and investment properties	—	—	4,316	4,316
Depreciation and amortisation	22,054	6,153	45,436	73,643
Gain arising from changes in fair value of investment properties	—	1,666,701	—	1,666,701

Revenue from major products and services

An analysis of the Group's turnover for the year from its major products and services is set out in note 7.

8. Segment Information *(continued)*

Information about geographical areas

The Group's property development, property investment and other activities are carried out in Hong Kong, Macau and other regions in the PRC. The following table provides an geographical analysis of the Group's turnover from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

	Turnover by geographical market		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hua Nan Region	**10,807,584**	7,779,026	**787,065**	767,185
Hua Dong Region	**8,335,747**	3,835,700	**1,730,364**	1,587,967
Hua Bei Region	**4,325,800**	1,359,464	**5,434,032**	4,229,579
Northern Region	**5,921,566**	1,687,466	**13,428**	14,067
Western Region	**7,360,654**	3,261,853	**407,391**	238,341
Hong Kong	**318,613**	760,752	**2,392,620**	2,026,901
Macau	**251,666**	208,112	**132,143**	124,269
	37,321,630	18,892,373	**10,897,043**	8,988,309

Note: *Non-current assets excluded financial instruments, investments in syndicated property project companies and deferred tax assets.*

Information about major customers

These was no customer who accounted for over 10% of the Group's revenue for both years.

9. Other Income

	2009	2008
	HK$'000	*HK$'000*
Other income include:		
Interest on bank deposits	**141,016**	75,841
Interest income on amounts due from jointly controlled entities	**64,744**	78,938
Imputed interest income on amounts due from		
— associates	**12,336**	15,675
— jointly controlled entities	**184,932**	60,160
Other interest income	**245**	678
Total interest income	**403,273**	231,292
Net foreign exchange gains	**34,821**	168,473
Gain on disposal of property, plant and equipment	**—**	4,316

10. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**631,815**	1,078,745
Interest on guaranteed notes not wholly repayable within five years	**134,550**	134,550
Imputed interest expense on amounts due to minority shareholders	**47,523**	61,913
Other finance costs	**15,324**	62,909
Total finance costs	**829,212**	1,338,117
Less: Amount capitalised in properties under development	**(600,798)**	(920,435)
	228,414	417,682

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 2.94% (2008: 3.84%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

Income tax recognised in profit or loss

	2009 HK$'000	2008 HK$'000
Current tax:		
Hong Kong Profits Tax	**6,942**	36,888
Macau income tax	**7,227**	20,196
PRC Enterprise Income Tax ("EIT")	**2,502,658**	1,661,884
LAT	**1,465,641**	1,464,857
	3,982,468	3,183,825
Under(over)provision in prior years:		
Hong Kong Profits Tax	**62**	3,179
Macau income tax	**—**	7,861
EIT	**76,604**	17,295
LAT*	**(178,209)**	360
	(101,543)	28,695
Deferred tax *(note 40)*		
Current year	**568,767**	324,723
Attributable to a change in tax rate	**—**	(24,225)
	568,767	300,498
Total	**4,449,692**	3,513,018

* *The actual appreciation value of certain property projects was finalised in current year which differed from the management's estimated appreciation value in prior years, resulting in an overprovision of LAT in respect of prior years.*

11. Income Tax Expense *(continued)*

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for certain PRC subsidiaries of the Company which are taxed at concessionary rates due to transitional provisions, the statutory tax rate of the Company's PRC subsidiaries is 25% from 1 January 2008 onwards.

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.

Macau income tax is calculated at the rate prevailing in Macau.

Details of deferred taxation are set out in note 40.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Profit before tax	**12,053,755**	8,585,300
Tax at the applicable tax rate of 25% (2008: 25%)	**3,013,439**	2,146,325
LAT	**1,465,641**	1,464,857
Tax effect of LAT	**(366,410)**	(366,214)
Tax effect of expenses not deductible for tax purpose	**80,642**	99,555
Tax effect of income not taxable for tax purpose	**(68,448)**	(123,069)
(Over)underprovision in prior years	**(101,543)**	28,695
Tax effect of tax losses not recognised	**123,103**	201,374
Utilisation of tax losses previously not recognised	**(55,628)**	(25,481)
Tax effect of share of results of associates and jointly controlled entities	**(5,730)**	9,458
Deferred tax on undistributed earnings of PRC subsidiaries	**360,610**	217,688
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(43,334)**	(31,535)
Effect of concessionary tax rates	**(39,377)**	10,697
Tax effect of change in tax rate	**—**	(24,225)
Others	**86,727**	(95,107)
Income tax expense for the year	**4,449,692**	3,513,018

Income tax recognised in other comprehensive income

The Group had no significant income tax recognised in other comprehensive income for both years.

12. Profit for the Year

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**8,497**	7,143
Depreciation of property, plant and equipment	**36,477**	69,797
Amortisation of prepaid lease payments for land (included in administrative expenses)	**4,013**	3,846
Staff costs including directors' emoluments *(Note)*	**568,741**	542,845
Rental expenses in respect of land and buildings under operating leases	**21,279**	24,083
Share of tax of		
Associates	**10,545**	2,667
Jointly controlled entities	**82,562**	53,970
Loss on disposal of property, plant and equipment	**1,164**	—
Cost of stock of properties recognised as expenses	**24,969,258**	10,136,752
Cost of inventories recognised as expenses	**6,093**	13,254
Rental income in respect of land and buildings under operating leases, net of outgoings of HK$21,720,000 (2008: HK$16,640,000)	**(173,320)**	(185,152)

Note: *The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.*

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost recognised in profit or loss of approximately HK$38 million (2008: HK$30 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

13. Directors' Emoluments

The emoluments paid or payable to the directors of the Company are as follows:

	Year ended 31 December 2009				
	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	—	5,296	7,275	12	12,583
Dong Daping	—	360	1,570	—	1,930
Lin Xiaofeng	—	280	1,484	—	1,764
Nip Yun Wing	—	757	186	5	948
Hao Jian Min	—	3,762	6,470	12	10,244
Xiao Xiao	—	3,162	6,190	12	9,364
Wu Jianbin	—	3,171	6,240	12	9,423
Chen Bin	—	1,800	5,495	12	7,307
Zhu Yijian	—	1,297	3,423	7	4,727
Luo Liang	—	1,040	5,091	—	6,131
Wang Man Kwan, Paul	—	1,323	316	7	1,646
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	360	—	—	—	360
Hsu Lai Tai, Rita	360	—	—	—	360
	1,330	22,248	43,740	79	67,397

	Year ended 31 December 2008				
	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	—	730	—	10	740
Hao Jian Min	—	3,253	3,847	12	7,112
Xiao Xiao	—	3,000	3,500	12	6,512
Wu Jianbin	—	3,032	3,500	12	6,544
Chen Bin	—	1,699	3,168	12	4,879
Zhu Yijian	—	1,881	3,095	12	4,988
Luo Liang	—	1,117	3,596	—	4,713
Wang Man Kwan, Paul	—	2,099	315	12	2,426
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	250	—	—	—	250
	860	16,811	21,021	82	38,774

13. Directors' Emoluments *(continued)*

The performance related bonus was determined based on the Group's performance for the year.

All the five highest paid individuals in the Group for both years presented are directors of the Company whose emoluments are included above.

No directors waived any emoluments in both years ended 31 December 2009 and 31 December 2008.

14. Dividends

	2009 *HK$'000*	2008 *HK$'000*
Interim dividend paid in respect of 2009 of HK7 cents (2008: 2008 interim dividend of HK6 cents) per share	**571,767**	470,995
Final dividend paid in respect of 2008 of HK7 cents (2008: 2007 final dividend of HK7 cents) per share	**571,531**	543,799
	1,143,298	1,014,794

The final dividend of HK13 cents in respect of the year ended 31 December 2009 (2008: final dividend of HK7 cents in respect of the year ended 31 December 2008) per ordinary share, amounting to approximately HK$1,062 million (2008: approximately HK$571 million), has been proposed by the directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the financial statements.

15. 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:

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	**7,468,928**	5,048,637

	2009	2008
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,153,422**	7,869,726
Effect of dilutive potential ordinary shares:		
Share options	**8,656**	14,625
Bonus warrants	**—**	6,489
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,162,078**	7,890,840

The weighted average number of ordinary shares for the purpose of basic earnings per share for both years has been adjusted for the effect of the open offer during the year.

16. Investment Properties

	THE GROUP
	HK$'000
FAIR VALUE	
At 1 January 2008	2,634,750
Transferred from property, plant and equipment *(Note a)*	2,182,224
Transferred from completed properties *(Note b)*	43,812
Disposals of assets through disposal of subsidiaries *(note 42b)*	(99,420)
Gain on change in fair value upon completion of the development of investment properties *(Note a)*	1,595,876
Gain arising from changes in fair value of investment properties	70,825
At 31 December 2008	6,428,067
Gain arising from changes in fair value of investment properties	1,319,532
At 31 December 2009	**7,747,599**

16. Investment Properties *(continued)*

Note a: *During the year ended 31 December 2008, properties under development for investment properties with a fair value of approximately HK$3.78 billion had been reclassified from property, plant and equipment upon the completion of development. The difference between the fair value of the property and its carrying value at the date of transfer amounting to approximately HK$1.6 billion had been recognised in profit or loss in prior year.*

Note b: *They were reclassified from completed properties due to the change in use of the properties evidenced by the commencement of operating leases.*

An analysis of the investment properties of the Group at the end of reporting period is as follows:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Investment properties:		
In Hong Kong		
On long leases	**404,100**	326,200
On medium-term leases	**1,883,500**	1,590,900
In Macau		
On medium-term leases	**132,000**	124,000
In the PRC other than in Hong Kong		
On medium-term leases	**5,327,999**	4,386,967
	7,747,599	6,428,067

The fair value of the Group's investment properties, including both land and building elements, at 31 December 2009 and 31 December 2008 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors ("HKIS"). The valuation was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are classified as investment properties and are accounted for using the fair value model.

17. Property, Plant and Equipment

	Property under development for investment properties HK$'000	Leasehold land and buildings HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2008	1,020,281	277,605	823,365	207,000	139,737	2,467,988
Exchange adjustments	63,052	15,938	57,249	20,971	13,266	170,476
Additions	1,098,891	4,799	44,368	51,927	241,296	1,441,281
Disposal of subsidiaries	—	(93,280)	(887,681)	(48,015)	(394,299)	(1,423,275)
Other disposals	—	(200)	(504)	(16,982)	—	(17,686)
Transfer to investment properties	(2,182,224)	—	—	—	—	(2,182,224)
At 31 December 2008	—	204,862	36,797	214,901	—	456,560
Exchange adjustments	—	215	2	267	—	484
Additions	—	2,665	194	21,234	—	24,093
Disposals	—	(10,649)	(56)	(21,109)	—	(31,814)
At 31 December 2009	—	197,093	36,937	215,293	—	449,323
DEPRECIATION						
At 1 January 2008	—	31,440	100,646	103,536	—	235,622
Exchange adjustments	—	4,777	5,017	15,606	—	25,400
Provided for the year	—	10,634	21,849	37,314	—	69,797
Eliminated on disposal of subsidiaries	—	(20,833)	(91,068)	(25,210)	—	(137,111)
Eliminated on disposals	—	(55)	(292)	(12,321)	—	(12,668)
At 31 December 2008	—	25,963	36,152	118,925	—	181,040
Exchange adjustments	—	32	—	134	—	166
Provided for the year	—	7,770	202	28,505	—	36,477
Eliminated on disposals	—	(2,159)	(36)	(14,665)	—	(16,860)
At 31 December 2009	—	31,606	36,318	132,899	—	200,823
CARRYING VALUES						
At 31 December 2009	**—**	**165,487**	**619**	**82,394**	**—**	**248,500**
At 31 December 2008	—	178,899	645	95,976	—	275,520

17. Property, Plant and Equipment *(continued)*

	Buildings	Furniture, fixtures, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1 January 2008	950	27,307	28,257
Additions	—	138	138
Disposals	—	(2,271)	(2,271)
At 31 December 2008	950	25,174	26,124
Additions	—	375	375
Disposals	—	(1,339)	(1,339)
At 31 December 2009	950	24,210	25,160
DEPRECIATION			
At 1 January 2008	641	16,823	17,464
Provided for the year	62	4,826	4,888
Eliminated on disposals	—	(1,877)	(1,877)
At 31 December 2008	703	19,772	20,475
Provided for the year	62	4,614	4,676
Eliminated on disposals	—	(1,334)	(1,334)
At 31 December 2009	765	23,052	23,817
CARRYING VALUES			
At 31 December 2009	**185**	**1,158**	**1,343**
At 31 December 2008	247	5,402	5,649

17. Property, Plant and Equipment *(continued)*

An analysis of the carrying values of leasehold land and buildings are as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
In Hong Kong				
Long lease	**244**	303	**—**	—
Medium-term lease	**77,678**	81,426	**—**	—
In the PRC other than in Hong Kong				
Medium-term lease	**87,565**	97,170	**185**	247
	165,487	178,899	**185**	247

The above items of property, plant and equipment other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

18. Prepaid Lease Payments for Land

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepaid lease payments for land comprise:				
Leasehold land in Hong Kong				
Long lease	**1,038**	1,039	**—**	—
Medium-term lease	**4,285**	4,408	**—**	—
Leasehold land outside Hong Kong on				
Medium-term lease	**51,069**	61,864	**185**	247
	56,392	67,311	**185**	247
Analysed for reporting purposes as				
Non-current asset	**52,379**	63,465	**123**	185
Current asset	**4,013**	3,846	**62**	62
	56,392	67,311	**185**	247

19. Investments in Subsidiaries

	THE COMPANY 2009 HK$'000	2008 HK$'000
Cost of investments, unlisted	**1,746,798**	1,304,616

Particulars of the principal subsidiaries are set out in note 51.

20. Interests in Associates

	THE GROUP 2009 HK$'000	2008 HK$'000
Cost of investments, unlisted	**72,651**	60,315
Share of post-acquisition profits and other comprehensive income, net of dividends received	**107,949**	104,266
	180,600	164,581

Included in the cost of investments is the fair value adjustment of HK$12,336,000 (2008: HK$12,336,000) recognised during the year in respect of the amounts due from associates which are non-current and interest free.

Set out below are the particulars of the principal associates at 31 December 2009 and 2008 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of entity	Place of incorporation and operations	Proportion of nominal value of issued ordinary share capital/registered capital indirectly held	Principal activities
Chest Gain Development Limited ("Chest Gain") *(Note)*	Hong Kong	30%	Property development
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	40%	Property development and trading

20. Interests in Associates *(continued)*

Note: In 2007, the Group entered into a shareholders' agreement for dividing the units of properties for sales held by Chest Gain among the shareholders for the purpose of facilitating the respective shareholders to utilise the allocated units at their discretion, in order to recover their loans made to Chest Gain. Pursuant to the shareholders' agreement, all future sale proceeds or rental income generated from the allocated property units would be applied to repay the respective shareholder's loan only. The balance of the shareholder's loan attributable to the Group represents the recoverable amount of the amount due from the associate as disclosed in note 30.

The summarised financial information in respect of the Group's associates is set out below:

	2009 ***HK$'000***	2008 *HK$'000*
Total assets	**3,193,222**	3,758,100
Total liabilities	**(6,821,040)**	(7,530,349)
Net liabilities	**(3,627,818)**	(3,772,249)
Group's share of net assets of the associates	**180,600**	164,581
Revenue	**792,072**	1,070,373
Profit for the year	**148,378**	118,197
Other comprehensive income	**—**	32,752
Group's share of profits (losses) of the associates for the year	**3,683**	(10,982)
Group's share of other comprehensive income of the associates for the year	**—**	13,101

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Unrecognised share of profits of associates for the year	**31,603**	35,393
Accumulated unrecognised share of losses of associates	**(1,225,383)**	(1,256,986)

As the accumulated unrecognised share of losses of those associates still exceeds the Group's interests in those associates, no share of profits has been recognised in the Group's consolidated statement of comprehensive income for current year.

20. Interests in Associates *(continued)*

The unrecognised share of profits of associates for the year and the accumulated unrecognised share of losses of associates include the Group's share of an associate's interest expenses amounting to approximately HK$42 million (2008: HK$60 million) and approximately HK$999 million (2008: HK$957 million), respectively, arising from the amount due to the Group. The Group considers the inflow of economic benefit associated with the interest is uncertain and therefore does not recognise the corresponding interest income. Furthermore, the Group has taken into account an accumulated balance of impairment losses of approximately HK$421 million (2008: HK$421 million) in determining the carrying amount of the amount due from the associate. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount of the asset.

21. Interests in Jointly Controlled Entities

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Cost of investments, unlisted	**2,082,060**	1,390,213
Share of post-acquisition profits and other comprehensive income, net of dividends received	**476,884**	557,442
	2,558,944	1,947,655

Included in the cost of investments is the fair value adjustment of HK$356,069,000 (2008: HK$184,932,000) recognised during the year in respect of the amounts due from jointly controlled entities which are non-current and interest free.

Set out below are the particulars of the principal jointly controlled entities at 31 December 2009 and 2008, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These jointly controlled entities are established and operating in the PRC, unless otherwise indicated.

21. Interests in Jointly Controlled Entities *(continued)*

Name of entity	Proportion of nominal value of registered capital held by the Group 2009	2008	Operation period	Principal activities
南京長江第二大橋有限責任公司	**65%^**	65%^	10 February 1999 to 25 March 2031	Operation and management of a toll bridge
深圳中海信和地產開發有限公司	**50%**	50%	28 April 2004 to 27 April 2014	Property development
Big Profit Enterprises Limited**	**50%#**	50%#	N/A	Investment holding
上海中海海軒房地產有限公司	**50%#**	50%#	25 December 2006 to 24 December 2056	Property development
Elite Mind International Limited*	**60%^**	60%^	N/A	Investment Holding
重慶嘉江房地產開發有限公司	**60%^**	60%^	16 July 2007 to 16 July 2047***	Property development
Speedy Champ Investments Limited*	**45%^**	45%^	N/A	Investment Holding
重慶豐盈房地產開發有限公司	**45%^**	45%^	11 September 2007 to 10 September 2049***	Property development
寧波中海和協置業發展有限公司	**50%**	50%	21 March 2007 to 20 March 2027	Property development
杭州中海雅戈爾房地產有限公司	**50%**	50%	8 November 2007 to 7 November 2027	Property development
Kingtron Enterprises Limited*	**50%**	50%	N/A	Investment holding
海墅房地產開發（杭州）有限公司	**50%**	50%	25 September 2007 to 24 September 2027	Property development
Fast Right Investments Limited*	**50%**	50%	N/A	Investment holding
杭州世茂世盈房地產開發有限公司	**50%**	50%	24 January 2008 to 25 March 2010***	Property development
Empire Land Investments Limited*	**50%**	—	N/A	Investment holding
重慶嘉益房地產開發有限公司	**50%**	—	26 November 2009 to 26 November 2049	Property development
山東中海華創地產有限公司	**60%^**	—	26 September 2008 to 25 September 2058	Property development
寧波茶亭置業有限公司	**35%^**	—	21 October 2009 to 20 October 2014	Property development

21. Interests in Jointly Controlled Entities *(continued)*

\# *Details are set out in note 42(c)*

* *Incorporated in Hong Kong*

** *Incorporated in the British Virgin Islands*

*** *The business licence of these companies can be renewed at the nominal amount periodically without breaching the relevant clauses of the business license.*

^ *The Group exercises joint control over the financial and operating policies of these companies with other joint venture partners in accordance with joint venture agreements and/or the companies' Articles of Association, and accordingly, these companies have been accounted for as jointly controlled entities.*

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2009	2008
	HK$'000	*HK$'000*
Current assets	**12,969,824**	8,592,544
Non-current assets	**2,784,963**	2,921,583
Current liabilities	**3,337,029**	4,111,263
Non-current liabilities	**9,950,540**	5,492,868
Income recognised in profit or loss	**1,247,929**	529,203
Expenses recognised in profit or loss	**1,282,758**	572,781
Other comprehensive income	**1,315**	311,675

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of these jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Unrecognised share of losses of jointly controlled entities for the year	**54,067**	16,730
Accumulated unrecognised share of losses of jointly controlled entities	**91,726**	37,659

22. Investments in Syndicated Property Project Companies

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Unlisted		
Available-for-sale equity investments, at fair value	**20,971**	18,654

The investments represent the Group's interests in the following syndicated property project companies which are carried at fair value at the end of the reporting period as estimated by the directors by reference to the fair value of the properties held by these companies.

The syndicated property project companies are incorporated and operating in Hong Kong unless otherwise indicated.

Name of entity	**Attributable equity interests held by the Group** %	**Principal activities**
Direct Profit Development Limited	8	Property development
Dramstar Company Limited	12	Property development
Moricrown Ltd.*	7	Property development
Victory World Limited	10	Property development

* *Incorporated in the British Virgin Islands*

23. Amounts Due from Associates/Jointly Controlled Entities/Syndicated Property Project Companies

THE GROUP

	2009			2008		
	Interest-free	Interest bearing	Total	Interest-free	Interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due from						
— associates	84,579	2,845	87,424	87,263	2,845	90,108
— jointly controlled entities	7,990,329	1,181,677	9,172,006	3,091,321	979,849	4,071,170
— syndicated property project companies	436	—	436	1,056	—	1,056

Except for an amount due from a jointly controlled entity of approximately HK$113.8 million (2008: HK$340.1 million) carrying fixed interest rate of 8.22% (2008: 8.22%) per annum, all the interest bearing amounts due from associates and jointly controlled entities carry prevailing market interest rates ranging from 6.83% to 9.08% (2008: 6% to 10.81%) per annum. Other interest-free balances due from associates, jointly controlled entities and syndicated property project companies are measured at amortised cost at effective interest rate of 6% (2008: 6%) per annum.

All the amounts due from associates, jointly controlled entities and syndicated property project companies are unsecured and not expected to be repaid within one year after the end of the reporting period.

At the end of the reporting period, the Group has amounts due from jointly controlled entities of HK$4,609,017,000 (2008: HK$3,119,098,000) denominated in US$, the foreign currency of the Group's entities.

24. Amounts Due from Subsidiaries

THE COMPANY

	2009			2008		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The amounts comprise:						
Unsecured and due one year after the end of reporting period included in non-current assets	**2,707,510**	**4,432,388**	**7,139,898**	2,731,106	4,549,509	7,280,615
Unsecured and repayable on demand included in current assets	**36,946,268**	**43,649**	**36,989,917**	24,420,426	45,786	24,466,212

The interest bearing amounts due from subsidiaries carry fixed interest rates ranging from 2.8% to 5% (2008: 3.5% to 6.5%) per annum. The non-interest bearing amounts due are carried at amortised cost at effective interest rate of 5% (2008: 5%) per annum.

Included in the balance are amounts due from subsidiaries of HK$7,139,898,000 (2008: HK$7,280,615,000) expected not to be realised within twelve months from the end of the reporting period and are classified as non-current assets.

At the end of the reporting period, the Company has amounts due from subsidiaries of HK$34,476,210,000 (2008: HK$31,746,829,000) denominated in HK$, the foreign currency of the Company.

25. Other Financial Assets and Liabilities

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other Financial Assets				
Instalments receivable *(Note a)*	**2,035**	763	**—**	—
Pledged bank deposits *(Note b)*	**28,126**	41,680	**—**	—
Included in non-current assets	**30,161**	42,443	**—**	—
Other Financial Liabilities				
Financial guarantee contracts due				
— within one year	**—**	—	**21,723**	11,986
— more than one year, but not exceeding two years	**—**	—	**18,187**	11,986
— more than two years, but not exceeding five years	**—**	—	**1,210**	13,812
	—	—	**41,120**	37,784
Less: Amounts due within one year included in current liabilities	**—**	—	**(21,723)**	(11,986)
	—	—	**19,397**	25,798

Notes:

(a) *The instalments receivable are unsecured, carry interest at prime rate plus a specified margin and are not wholly repayable within five years.*

(b) *The pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. The deposits, which carry variable interest rate, ranging from 0.3% to 3.0% (2008: 0.5% to 3.9%) per annum will be released upon the settlement of the relevant bank loans.*

26. Inventories

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Raw materials and consumables, at cost	**3,718**	2,999

27. Stock of Properties

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Completed properties	**8,938,605**	7,717,512	**1,751**	1,775
Properties under development *(Note)*	**41,508,423**	46,261,292	**—**	—
	50,447,028	53,978,804	**1,751**	1,775

Note: Included in the amount are properties under development for sale of HK$26,091,523,000 (2008: HK$29,032,504,000) expected not to be realised within twelve months from the end of the reporting period.

28. Investments Held-for-Trading

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**—**	9,506

The amount was stated at fair value based on quoted market prices.

29. Trade and Other Receivables

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

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

29. Trade and Other Receivables *(continued)*

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivable, aged				
0–30 days	**456,328**	465,073	**—**	—
31–90 days	**112,286**	208,288	**—**	—
Over 90 days	**385,014**	239,959	**—**	—
	953,628	913,320	**—**	—
Other receivables	**166,671**	131,335	**27,552**	29,446
	1,120,299	1,044,655	**27,552**	29,446

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

The Group has minimal trade receivable balances which are past due at the reporting date.

In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no credit provision required as at the end of the reporting period.

30. Amounts Due From Immediate Holding Company/An Associate/ Jointly Controlled Entities/Minority Shareholders

The amount due from immediate holding company was unsecured, interest-free and fully settled during the year.

The amounts due from minority shareholders are unsecured, interest-free and repayable on demand.

Included in the interest bearing amounts due from jointly controlled entities is an unsecured amount of approximately HK$57 million (2008: nil) carrying fixed interest at 8.22% per annum and repayable on demand, the remaining interest bearing amounts of approximately HK$83 million (2008: nil) are unsecured, carry variable interest at 5.31% per annum and repayable on demand. The non-interest bearing amounts due from jointly controlled entities are unsecured and repayable on demand. The management expect that the amounts due from jointly controlled entities will be realised within one year from the end of the reporting period.

Amount due from an associate of approximately HK$143 million (2008: approximately HK$613 million) is secured by the associate's completed properties allocated to the Group, interest-free and realisable upon sales of those completed properties. Such amount due is classified as current asset as the management expected that those completed properties will be realised within one year from the end of the reporting period.

31. Bank Balances and Cash

Included in bank balances and cash in the consolidated statement of financial position are restricted bank deposits of HK$81,269,000 (2008: HK$502,892,000) which can be solely applied in the designated property development projects.

The Company has no restricted bank deposits at the end of the reporting period.

All bank deposits carry interest at market rates which range from 0.08% to 4.00% (2008: 0.01% to 4.83%) per annum.

As at the end of the reporting period, the Group and the Company have the following bank balances and cash denominated in foreign currencies:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash denominated in:				
HKD	**2,911,509**	2,668,566	**2,852,832**	1,485,626
USD	**2,014,572**	1,360,168	**528,012**	499,798

32. Trade and Other Payables

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables, aged				
0–30 days	**4,432,739**	4,076,519	**—**	—
31–90 days	**736,717**	401,001	**—**	—
Over 90 days	**2,756,358**	1,415,166	**—**	—
	7,925,814	5,892,686	**—**	—
Other payables	**1,706,713**	960,452	**20,140**	111,243
Retentions payable	**1,331,037**	971,334	**—**	—
	10,963,564	7,824,472	**20,140**	111,243

Other payables mainly include receipt in advance, other taxes payable and sundry accrued charges.

Of the retentions payable, an amount of approximately HK$762 million (2008: HK$505 million) is due beyond twelve months from the end of the reporting period.

33. Amounts Due to Immediate Holding Company/A Fellow Subsidiary/ Associates/Jointly Controlled Entities

The amounts due to immediate holding company, a fellow subsidiary, associates and jointly controlled entities are unsecured, interest-free and repayable on demand.

During the year, the immediate holding company advanced HK$9,659,281,000 to the Company to maintain the general working capital of the Group, in which HK$5,681,818,000 has been repaid by the Group in January 2010.

34. Amounts Due to Subsidiaries

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
The amounts comprise:		
Interest bearing at 5.75% (2008: 5.75%) per annum, unsecured and due one year after the end of reporting period included in non-current liabilities	**2,377,198**	2,377,168
Non-interest bearing, unsecured and repayable on demand included in current liabilities	**1,520,101**	1,763,590

35. Share Capital

	THE COMPANY			
	2009		2008	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year	**7,850,699**	**785,070**	7,743,706	774,371
Issue of shares upon open offer	**314,027**	**31,402**	—	—
Issue of shares upon exercise of share options	**4,296**	**430**	12,362	1,236
Issue of shares upon exercise of warrants	**—**	**—**	94,631	9,463
At end of the year	**8,169,022**	**816,902**	7,850,699	785,070

All the new shares issued during the year rank pari passu in all respects with the existing shares.

35. Share Capital *(continued)*

Issue of shares

On 10 December 2008, the Company announced that it propose to raise not less than HK$2,512,099,584, before expenses, by issuing not less than 314,012,448 new shares and not more than 314,083,488 new shares by way of open offer at a price of HK$8 per offer share on the basis of 1 offer share for every 25 existing shares held on the record date (i.e. 31 December 2008).

On 21 January 2009, the Company has issued and allotted 314,027,968 ordinary shares of HK$0.1 each to the existing qualifying shareholders pursuant to the open offer. The net proceeds of the open offer, after deducting the issuing expense of HK$30,346,000, amounting to about HK$2,481,877,000 were used as general working capital of the Group.

During the year, the Company also issued 4,296,464 shares at HK$1.118 per share to employees upon exercise of the share options granted, giving a total cash consideration of approximately HK$4,804,000.

During the year ended 31 December 2008, the Company issued a total of 106,993,000 shares, in which 12,362,000 shares were issued at prices ranging from HK$0.58 to HK$1.13 per share to employees upon the exercise of the share options granted, giving a total cash consideration of HK$13,935,000 and 94,631,000 shares were issued at HK$12.5 per share to shareholders upon exercise of warrants, giving a total cash consideration of HK$1,182,897,000.

Share option scheme

The Company's share option scheme ("the Scheme") was adopted pursuant to an ordinary resolution passed on 18 July 2002. The Scheme shall be valid and effective for a period of 10 years and the purpose of which is to provide incentives to directors and eligible employees to contribute further to the Company. The Board is authorised to grant options under the Scheme to any full-time employee, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares that can be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the date of approval of the Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each participant must not, within any 12-month period, exceed 1% of the shares of the Company in issue. Any further grant of the options in excess of this 1% limit is subject to shareholders' approval. Each grant of options to any director or a substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates in the 12-month period, would result in the shares issued and to be issued upon exercise of all options representing over 0.1% of the Company's share capital in issue or having an aggregate value in excess of HK$5 million, such further grant of options must be approved in advance by the Company's shareholders.

35. Share Capital *(continued)*

Share option scheme *(continued)*

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK$1 per each grant of option payable as consideration on acceptance, which is recognised in the statement of comprehensive income when received. An option may be exercised at any time during a period of 9 years commencing on the expiry of one year after the offer date. The subscription price per share is determined by the Board and shall be at least the higher of (i) the closing price of the Company's shares on the date of offer; (ii) the average closing price of the shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

The fair value of share options granted is charged to the statement of comprehensive income on a straight-line basis over the vesting period in accordance with HKFRS 2 Share-based Payment.

The following table discloses details of the Company's share options held by employees and movements in such holdings:

			Number of shares under options granted						
Date of grant	Exercisable period	Adjusted exercise price per share *HK$*	Outstanding at 1 January 2009	Movements during the year Adjustment#	Movements during the year Exercised	Movements during the year Cancelled	At 31 December 2009 Outstanding	At 31 December 2009 Exercisable	Closing price of shares at date of exercise *HK$*
18 June 2004	18 June 2005 – 17 June 2014	1.118	10,488,000	119,657	(4,296,464)	—	**6,311,193**	**6,311,193**	15.64 to 19.00
Weighted average exercise price			HK$1.13	HK$1.118	HK$1.118	HK$1.118	HK$1.118	HK$1.118	

			Number of shares under options granted					
Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding at 1 January 2008	Movements during the year Exercised	Movements during the year Cancelled	At 31 December 2008 Outstanding	At 31 December 2008 Exercisable	Closing price of shares at date of exercise *HK$*
14 February 1998	14 February 1999 – 13 February 2008	1.08	1,370,000	(450,000)	(920,000)	—	—	13.60 to 14.70
4 January 2000	4 January 2001 – 3 January 2010	0.58	20,000	(20,000)	—	—	—	13.34
18 June 2004	18 June 2005 – 17 June 2014	1.13	22,380,000	(11,892,000)	—	10,488,000	1,388,000	6.70 to 15.56
			23,770,000	(12,362,000)	(920,000)	10,488,000	1,388,000	
Weighted average exercise price			HK$1.13	HK$1.13	HK$1.08	HK$1.13	HK$1.13	

35. Share Capital *(continued)*

Share option scheme *(continued)*

Details of the share options held by the directors included in the above table are as follows:

	Number of shares under options granted				
	Outstanding at 1 January	Movements during the year Adjustment#	Exercised	Reclassified *(Note)*	Outstanding at 31 December
2009	**3,604,000**	**41,119**	**(129,460)**	**(20,228)**	**3,495,431**
2008	5,864,000	—	(2,260,000)	—	3,604,000

\# *Following the issue of shares pursuant to the open offer, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.*

Note: *In 2009, the 20,228 share options reclassified to employees represented the net balance of 262,966 share options held by the directors who had resigned/ceased to act during the year and 242,738 share options held by certain directors who were appointed during the year, while no reclassification of share options has been made during 2008.*

During the year ended 31 December 2004, 65,140,000 options were granted on 18 June 2004 by the Company at the exercise price of HK$1.13 per share. The vesting and exercisable periods regarding these options are as follows:

Number of options granted	Vesting period	Exercisable period
13,028,000	18 June 2004 to 17 June 2005	18 June 2005 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2006	18 June 2006 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2007	18 June 2007 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2008	18 June 2008 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2009	18 June 2009 to 17 June 2014

Warrants

All of the Company's bonus warrants have expired at 31 December 2008.

36. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2008	15,148,517	18,798	3,380	—	721,623	15,892,318
Profit for the year	—	—	—	—	1,732,555	1,732,555
Exchange difference arising on translation of the Company's financial statements from functional currency to presentation currency	—	—	—	(42,841)	—	(42,841)
Total comprehensive income for the year	—	—	—	(42,841)	1,732,555	1,689,714
2007 final dividend paid	—	—	—	—	(543,799)	(543,799)
Issue of shares	1,188,420	—	(2,287)	—	—	1,186,133
Share issue expenses	(141)	—	—	—	—	(141)
Recognition of share-based payments	—	—	725	—	—	725
2008 interim dividend paid	—	—	—	—	(470,995)	(470,995)
At 31 December 2008	16,336,796	18,798	1,818	(42,841)	1,439,384	17,753,955
Profit for the year	—	—	—	—	1,431,124	1,431,124
Exchange difference arising on translation of the Company's financial statements from functional currency to presentation currency	—	—	—	29,141	—	29,141
Total comprehensive income for the year	—	—	—	29,141	1,431,124	1,460,265
2008 final dividend paid	—	—	—	—	(571,531)	(571,531)
Issue of shares	2,486,021	—	(826)	—	—	2,485,195
Share issue expenses	(30,972)	—	—	—	—	(30,972)
Recognition of share-based payments	—	—	199	—	—	199
2009 interim dividend paid	—	—	—	—	(571,767)	(571,767)
At 31 December 2009	18,791,845	18,798	1,191	(13,700)	1,727,210	20,525,344

The Company's reserves available for distribution to shareholders at 31 December 2009 comprise the retained profits of approximately HK$1,727 million (2008: HK$1,439 million).

37. Bank Loans

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The unsecured bank loans are repayable as follows:				
Within one year	**4,364,155**	3,946,026	**877,500**	—
More than one year, but not exceeding two years	**8,152,583**	5,517,565	**5,097,500**	390,000
More than two years, but not exceeding five years	**8,817,287**	12,802,440	**8,363,000**	10,648,000
	21,334,025	22,266,031	**14,338,000**	11,038,000
Less: Amounts due within one year included in current liabilities	**(4,364,155)**	(3,946,026)	**(877,500)**	—
	16,969,870	18,320,005	**13,460,500**	11,038,000

Bank loans with carrying amount of HK$6,996,025,000 (2008: HK$11,228,031,000) bear interest at a fixed rate of 4.86% to 6.75% (2008: 5.18% to 7.56%) per annum and are denominated in Renminbi. The effective interest rate on the remaining bank loans amounting to HK$14,338,000,000 (2008: HK$11,038,000,000), which are denominated in Hong Kong dollars, is based on HIBOR plus a specified margin.

Including in the outstanding bank loans at 31 December 2009 are the following principal bank loans:

(a) a loan of HK$2,600 million granted on 29 September 2006, repayment of which will commence on 29 September 2010 until 29 September 2011. The loan is unsecured and carries interest at HIBOR plus 0.38%. The effective interest rate is 0.99% (2008: 1.83%) per annum.

(b) a loan of HK$3,500 million granted on 23 August 2007, repayment of which will commence on 23 August 2011 until 23 August 2012. The loan is unsecured and carries interest at HIBOR plus 0.32%. The effective interest rate is 0.81% (2008: 1.77%) per annum.

(c) a loan of HK$3,438 million granted on 28 May 2008, repayment of which will commence on 28 May 2012 until 28 May 2013. The loan is unsecured and carries interest at HIBOR plus 0.90%. The effective interest rate is 1.43% (2008: 2.35%) per annum.

These principal bank loans shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the loan agreements which include, inter alia, the compliance of certain undertakings given by the Company.

37. Bank Loans *(continued)*

As at the end of the reporting period, the Group has the following bank loans denominated in foreign currencies:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Bank loans denominated in HK$	**14,338,000**	11,038,000

At 31 December 2009, the Group had available approximately HK$2,662 million (2008: HK$4,452 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

38. Guaranteed Notes Payable

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Guaranteed notes payable, listed in Hong Kong	**2,332,426**	2,329,431

During the year ended 31 December 2005, China Overseas Finance (Cayman) I Limited, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$300,000,000 ("the Notes") at the issue price of 99.404%. The Notes, which bear interest at the rate of 5.75% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 13 July 2012 at the principal amount.

The fair value of the notes payable at 31 December 2009 was estimated at approximately HK$2,424 million (2008: HK$2,113 million), which was determined based on the closing market price of the notes at that date.

39. Amounts Due to Minority Shareholders

The minority shareholders of certain subsidiaries have provided advances to those subsidiaries which are unsecured and interest free. Such advances have no fixed repayment terms but repayment will not be demanded within one year from the end of the reporting period. The amounts are carried at amortised cost at average effective interest rate of 6% (2008: 6%) per annum.

40. Deferred Taxation

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

Deferred tax liabilities

	THE GROUP					
	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Undistributed earnings of PRC subsidiaries HK$'000	Provision for LAT HK$'000	Others HK$'000	Total HK$'000
THE GROUP						
At 1 January 2008	32,982	387,499	—	—	53,308	473,789
Charge (credit) to consolidated statement of comprehensive income	1,463	594,099	217,688	(485,090)	(3,437)	324,723
Disposal of subsidiaries *(Note 42(b))*	(1,580)	(1,921)	—	—	—	(3,501)
Effect of change in tax rate	(441)	(13,753)	—	—	(10,031)	(24,225)
At 31 December 2008	32,424	965,924	217,688	(485,090)	39,840	770,786
Charge (credit) to consolidated statement of comprehensive income	4,626	364,757	360,610	(165,701)	4,475	568,767
At 31 December 2009	**37,050**	**1,330,681**	**578,298**	**(650,791)**	**44,315**	**1,339,553**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP	
	2009 ***HK$'000***	2008 *HK$'000*
Deferred tax assets	**650,791**	485,090
Deferred tax liabilities	**(1,990,344)**	(1,255,876)
	(1,339,553)	(770,786)

At the end of the reporting period, the Group had unused tax losses of approximately HK$6,675 million (2008: HK$6,956 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$314 million (2008: HK$400 million) that will expire within five years from the end of the reporting period. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Company had unused tax losses of approximately HK$470 million (2008: HK$576 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams and may be carried forward indefinitely.

41. Acquisition of Subsidiaries

On 16 November 2009, the Group acquired and assumed the following assets and liabilities, respectively, through acquisition of the entire interest in Gold Jade International Holdings Limited for a cash consideration of HK$508 million. The subsidiaries of the acquiree mainly holds a property development project in Hong Kong.

The net assets acquired in the transaction are as follows:

	HK$'000
Properties under development	507,984
Bank balances and cash	16
	508,000
Satisfied by:	
Cash consideration paid	508,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(508,000)
Bank balances and cash acquired	16
	(507,984)

42. Disposal of Subsidiaries

(a) On 6 October 2008, the Group had entered into a sale and purchase agreement with China State Construction International Holdings Limited ("CSC"), a fellow subsidiary of the Company, to dispose of the Group's entire equity interest in Value Idea Investments Limited ("Value Idea") for a cash consideration of approximately HK$200 million. The disposal was completed on 28 November 2008. Value Idea, through its infrastructure joint venture, was principally engaged in the operation of Nanchang Bridge located at Nanchang City in Jiangxi province of the PRC.

	2008 *HK$'000*
Net assets disposed of	
Investment in a jointly controlled entity	196,420
Translation reserve realised	(31,343)
Gain on disposals	34,925
Total consideration	200,002
Satisfied by:	
Cash consideration	200,002
Cash inflow arising on disposal:	
Cash consideration	200,002

During the year ended 31 December 2008, the disposed subsidiaries had contributed to the Group's investing cash inflow of approximately HK$36 million. The profit of the disposed subsidiaries included in the Group's financial statements amounted to approximately HK$12 million.

42. Disposal of Subsidiaries *(continued)*

(b) On 21 October 2008, the Group had entered into a sale and purchase agreement with COHL to dispose of the Group's entire equity interest in China Overseas Ports Investment Company Limited ("COP") to COHL for a cash consideration of approximately HK$1,328 million. The disposal was completed on 31 October 2008. The COP group was principally engaged in port operations in the PRC and the provision of logistics services in Shenzhen of the PRC.

	2008 *HK$'000*
Net assets disposed of	
Investment properties	99,420
Property, plant and equipment	1,286,164
Prepaid lease payments for land	30,604
Inventories	3,461
Trade and other receivables	153,662
Deposits and prepayments	84,102
Bank balances and cash	243,930
Trade and other payables	(209,380)
Tax liabilities	(4,643)
Bank loans	(369,652)
Deferred tax liabilities	(3,501)
	1,314,167
Translation reserve realised	(83,018)
Gain on disposal	96,851
Total consideration	1,328,000
Satisfied by:	
Cash	500,000
Deferred consideration	828,000
	1,328,000
Net cash inflow arising on disposal:	
Cash consideration received	500,000
Bank balances and cash disposed of	(243,930)
	256,070

During the year ended 31 December 2008, the disposed subsidiaries had contributed to the Group's operating cash inflow of approximately HK$366 million, investing cash outflow of approximately HK$300 million and financing cash outflow of approximately HK$34 million. The profit of the disposed subsidiaries included in the Group's financial statements amounted to approximately HK$45 million.

The deferred consideration was fully settled in cash by COHL in 2009.

42. Disposal of Subsidiaries *(continued)*

(c) On 3 May 2007, China Overseas (Zhong Guo) Limited ("COZG"), a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement ("S&P agreement") with an independent third party (the "Purchaser") in respect of the sale by COZG to the Purchaser of 50% equity interest in and shareholders' loans to Big Profit Enterprises Limited ("Big Profit"), a wholly-owned subsidiary of COZG, for a consideration of approximately US$67 million (equivalent to approximately HK$523 million). Big Profit was an investment holding company which held entire interest in 上海中海海軒房地產有限公司 ("中海海軒"), a wholly foreign-owned enterprise established in the PRC owning the land use rights in respect of a piece of land located in Luwan District, Shanghai, PRC. Pursuant to the shareholders' agreement which was signed among COZG, the Purchaser and Big Profit on the same date of the S&P agreement, COZG and the Purchaser had joint control over Big Profit and the Purchaser was given a right to return of all of its capital contribution and other indebtedness owed to it without interest in 3 months after the expiry of certain relocation thresholds, provided that if such relocation thresholds could not be met within the respective deadlines in 2008 specified by the shareholders' agreement. The relocation thresholds represented relocation of existing residential units and factories in the lands owned by 中海海軒 within pre-determined timeframes specified in the shareholders' agreement.

In 2007, as the directors were uncertain if these relocation thresholds could be met or not based on existing relocation progress, they considered that the disposal of 50% equity interest in Big Profit (the "Disposal") and the corresponding gain on disposal should be recognised on the basis of this put option written to the Purchaser. The Disposal would be recognised only upon the expiry of the specific relocation thresholds or when management consider that it was highly probable that they could meet the relocation thresholds before the expiry of the terms. Big Profit and 中海海軒 were therefore derecognised as the wholly-own subsidiaries and accounted for as 100% owned jointly controlled entities using equity method as at 31 December 2007. The consideration received of approximately HK$523 million was recorded in other payable. Accordingly, the Group derecognised 中海海軒's properties under development of approximately HK$653 million and recognised as advances to jointly controlled entities at the same amount, which was regarded as a major non-cash transaction during the year ended 31 December 2007.

On 1 December 2008, COZG had obtained waiver from the Purchaser on the put option and relevant gain on disposal amounting to approximately HK$145 million had been recognised in the Group's consolidated statement of comprehensive income for the year ended 31 December 2008, which was determined as follows:

	2008 *HK$'000*
Net assets disposed of:	
Investment in a jointly controlled entity	—
Amount due from a jointly controlled entity	378,026
	378,026
Gain on disposal	144,574
Sale consideration, satisfied by cash	522,600

43. Goodwill

	2009 **HK$'000**	2008 HK$'000
COST		
At 31 December	**109,021**	109,021

At the end of the reporting period, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interest in COPM Subgroup of HK$44,496,000 and Hua Yi Subgroup of HK$64,525,000 acquired during the year ended 31 December 2007 and 31 December 2005, respectively. COPM Subgroup is principally engaged in property management and investment holding while Hua Yi Subgroup is principally engaged in the provision of building design consultancy services and investment holding. For the purposes of impairment testing, the attributable amount of goodwill, having an indefinite useful lives, has been allocated to the other operations segment only.

At the end of the reporting period, management determines that there is no impairment of goodwill based on the estimated recoverable amount of each of these two cash generating units to which the goodwill relates. The recoverable amount of the units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2008: 10%). The 10-year cash flows beyond the 5-year period are projected using a zero (2008: zero) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

44. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	THE GROUP	
	2009 **HK$'000**	2008 HK$'000
Bank balances and cash	**23,862,725**	9,006,148
Less: restricted bank deposits *(note 31)*	**(81,269)**	(502,892)
	23,781,456	8,503,256

45. Operating Lease Commitments

The Group as lessor

At the end of the reporting period, investment properties and other properties with carrying amounts of approximately HK$7,748 million (2008: HK$6,428 million) and approximately HK$83 million (2008: HK$87 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK$195 million (2008: HK$202 million), of which approximately HK$185 million (2008: HK$187 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

45. Operating Lease Commitments *(continued)*

The Group as lessor *(continued)*

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**201,523**	168,650
In the second to fifth year inclusive	**250,981**	193,530
After five years	**87,425**	65,169
	539,929	427,349

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**31,957**	29,287
In the second to fifth year inclusive	**63,922**	11,456
	95,879	40,743

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for two to five years.

The Company as lessee

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**24,253**	22,598
In the second to fifth year inclusive	**58,520**	7,533
	82,773	30,131

46. Project and Other Commitments

At the end of the reporting period, the Group had the following commitments not provided for in the consolidated financial statements:

(a) Expenditure on Property Development Projects

(i) Commitments in respect of land use rights in the PRC under operating leases payable:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**3,976,132**	3,226,529
In the second to fifth year inclusive	**23,248**	29,740
	3,999,380	3,256,269

(ii) Other development expenditure

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
— Authorised but not contracted	**40,567,636**	28,750,113
— Contracted but not provided for	**12,348,925**	10,393,790
	52,916,561	39,143,903
	56,915,941	42,400,172

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
(b) Acquisitions contracted but not provided for		
— Acquisition of subsidiaries	**455,432**	—

The Company had no significant project and other commitments at the end of the reporting period.

47. Contingent Liabilities

At the end of the reporting period, there were contingent liabilities as follows:

(a) Guarantees given and indemnities provided by the Group and the Company in respect of credit facilities granted to:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries				
— Maximum	**—**	—	**2,857,581**	2,499,796
— Utilised	**—**	—	**2,690,581**	2,499,796

47. Contingent Liabilities *(continued)*

(b) The Group provided guarantees amounted to approximately HK$7,979 million (2008: HK$5,217 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(c) As disclosed in note 38, the Company also provided guarantee amounted to approximately HK$2,332 million (2008: HK$2,329 million) in respect of the guaranteed note issued by a subsidiary of the Company.

Other than the guarantee provided by the Company as mentioned in item (a) and (c), the directors considered that the fair values of these financial guarantee contracts at their initial recognition and at the end of reporting period are insignificant on the basis of short maturity periods and low applicable default rates. The financial guarantee contracts of the Company have been recognised in the Company's financial statements.

At 31 December 2009, the Group had outstanding counter indemnities amounted to approximately HK$54 million (2008: HK$54 million) for surety bonds issued in respect of property management contracts undertaken by the Group.

48. Pledge of Assets

At the end of the reporting period, the Group's bank deposits of approximately HK$28 million (2008: HK$42 million) were pledged to secure the mortgage loans granted by banks to the home buyers (see note 25).

49. Related Party Transactions

Other than the disposal of subsidiaries to related parties as disclosed in note 42, the Group had the following transactions with related parties:

(a) Pursuant to an agreement entered into in 2003 between a subsidiary of the Company, Shenzhen China Overseas Property Co., Ltd. ("SCOP") and a subsidiary of CSCEC, Shenzhen China Overseas Construction Engineering Company ("SCOCE"), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of approximately RMB185 million. During the year ended 31 December 2008, construction fees paid by SCOP to SCOCE under the agreement amounted to approximately HK$23.3 million.

(b) Certain subsidiaries of the Company had appointed SCOCE as the main contractor for the construction of property development projects undertaken by them, at an aggregate contract price of approximately RMB68 million. Construction fees paid or payable by the said subsidiaries to SCOCE under the contracts amounted to approximately HK$4.3 million (2008: HK$43.9 million) in respect of the year.

49. Related Party Transactions *(continued)*

(c) In April 2005, Goodrich Company Limited ("Goodrich"), a subsidiary of the Company, awarded the piling installation works of the Group's property development project in Macau to China Construction Engineering (Macau) Company Limited ("CCE Macau"), a subsidiary of COHL which is itself a subsidiary of CSCEC, at the contract sum of approximately HK$56 million.

In August 2005, a construction management contract was entered into between Goodrich and CCE Macau, under which CCE Macau was appointed as the construction manager of Goodrich for the aforementioned property project in Macau at a management fee of approximately HK$20 million plus a bonus payment for a maximum amount of approximately HK$30 million payable upon the satisfaction of certain conditions stipulated in the said contract.

The contract sums and fees paid or payable by the Group under the aforementioned contracts amounted to a total of approximately HK$6.0 million (2008: HK$18.3 million) in respect of the year.

(d) In November 2005, the Company entered into agreements with each of China State Construction International Holdings Limited ("CSCIHL"), the Company's fellow subsidiary, SCOCE and CCE Macau individually whereby the Group continues to engage CSCIHL and its subsidiaries ("CSCIHL Group"), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau, respectively, upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them should not exceed HK$900 million, HK$1,600 million and HK$200 million, respectively.

During the year ended 31 December 2008, the total contract sum granted by the Group to CSCIHL Group and SCOCE amounted to approximately HK$139.7 million and approximately HK$76.1 million, respectively.

In April 2009, the Company entered into a renewal contractor agreement with CSCIHL, pursuant to which the Group may continue to engage CSCIHL and its subsidiaries as contractors with the total contract sum not exceeding HK$1,000 million between 1 July 2009 and 31 December 2009, HK$2,000 million for each of the two years ending 31 December 2011, and HK$1,000 million between 1 January 2012 and 30 June 2012.

During the year, the total contract sum granted by the Group to CSCIHL and its subsidiaries under the renewal contractor agreements amounted to approximately HK$136.9 million.

49. Related Party Transactions *(continued)*

(e) In May 2006, On Success Development Limited ("On Success"), a subsidiary of the Company entered into a Master Tenancy Agreement with China Overseas (Hong Kong) Limited ("COHK"), as a subsidiary of CSCIHL, pursuant to which COHK had agreed to lease certain properties as offices of CSCIHL and its subsidiaries. The rent receivable by On Success would be approximately HK$6.6 million, approximately HK$8.6 million and approximately HK$9.0 million for the three years ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

During the year, the rent received or receivable by On Success amounted to approximately HK$4.7 million (2008: 9.3 million).

In April 2009, the Company entered into a renewal Master Tenancy Agreement with CSCIHL, pursuant to which the Group may continue to lease certain of its properties to CSCIHL and its subsidiaries as offices with rent receivable not exceeding HK$6 million between 1 July 2009 and 31 December 2009, HK$12 million for each of the two years ending 31 December 2011, and HK$6 million between 1 January 2012 and 30 June 2012.

During the year, the rent received or receivable by the Group from CSCIHL and its subsidiaries under the renewal Master Tenancy Agreement amounted to approximately HK$4.3 million.

(f) In May 2006, China Overseas Security Services Ltd ("COS"), a subsidiary of the Company and CSCIHL entered into a Master Security Agreement pursuant to which COS would provide security services to the worksites of CSCIHL and/or its subsidiaries. The security service fee for each of the three financial years ended 31 December 2008 will not exceed HK$30 million per year.

During the year ended 31 December 2008, the total contract sum granted by the Group to COS amounted to approximately HK$11.4 million and the security service fee received or receivable by COS amounted to approximately HK$9.7 million.

In April 2009, the Company entered into a renewal Master Security Agreement with CSCIHL, pursuant to which the Group may continue to provide security services to CSCIHL and its subsidiaries with the service fee not exceeding HK$15 million between 1 July 2009 and 31 December 2009, HK$30 million for each of the two years ending 31 December 2011, and HK$15 million between 1 January 2012 and 30 June 2012.

During the year, the total contract sum granted by the Group to CSCIHL and its subsidiaries under the renewal Master Security Agreement amounted to approximately HK$13.7 million and the security service fee received or receivable by the Group amounted to approximately HK$12.9 million.

49. Related Party Transactions *(continued)*

(g) In June 2006, the Company entered into a CSCEC Group Engagement Agreement with CSCEC whereby the Group might continue to engage CSCEC and its subsidiaries ("CSCEC Group") as construction contractor in the PRC upon successful tender for each of the three financial years ended 31 December 2008. If any contract was granted in favour of CSCEC Group, the total sum to be awarded by the Group to CSCEC Group should not exceed HK$1,600 million.

During the year ended 31 December 2008, the total contract sum granted by the Group to CSCEC Group amounted to approximately HK$1,691 million and the construction cost paid or payable to CSCEC Group amounted to approximately HK$1,092 million.

In April 2009, the Company entered into a renewal agreement with China State Construction & Engineering Corporation Limited ("CSCECL"), a subsidiary of CSCEC, namely CSCECL Group Engagement Agreement, pursuant to which the Group may continue to engage CSCECL and its subsidiaries as contractor with the total contract sum not exceeding approximately RMB933 million (equivalent to approximately HK$1,061 million) between 1 June 2009 and 31 December 2009, approximately RMB1,600 million (equivalent to approximately HK$1,818 million) for each of the two years ending 31 December 2011, and approximately RMB667 million (equivalent to approximately HK$758 million) between 1 January 2012 and 31 May 2012.

During the year, the total contract sum granted by the Group to CSCECL and its subsidiaries under the renewal CSCECL Group Engagement Agreement amounted to approximately HK$868 million and the construction cost paid or payable to CSCECL and its subsidiaries amounted to approximately HK$1,672 million.

(h) The Group had entered insurance policies with China Overseas Insurance Limited ("COIL"), a subsidiary of CSCEC. The aggregate amount of premium paid or payable by the Group to COIL during the year amounted to approximately HK$0.9 million (2008: HK$0.9 million).

(i) In the ordinary course of business, CSCEC acted as guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the year (2008: nil).

(j) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Short-term benefits	**102,615**	63,224
Share-based payments	**19**	70
Mandatory Provident fund contribution	**79**	82
	102,713	63,376

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. Related Party Transactions *(continued)*

(k) In 2009, the Group has interest income of approximately HK$12.3 million (2008: HK$15.6 million) and approximately HK$184.9 million (2008: HK$60.2 million) from its associates and jointly controlled entities, respectively.

(l) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled entities"). The directors consider those State-controlled entities are independent third parties so far as the Group's business with them are concerned.

In connection with the Group's property development activities, the Group awarded construction and other works contracts to entities, which to the best knowledge of management, are State-controlled entities.

The Group has also entered into various transactions with PRC government departments or agencies which include the acquisition of land mainly through tendering and the operations and management of toll bridges to those government departments or agencies.

Other than those disclosed in (g) above and the acquisition of land from the government departments or agencies which are mainly attributable to the Group's cost of sales, the directors consider that the other transactions with these state-controlled entities are not significant to the Group.

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities. In view of the nature of those transactions, the directors are of the opinion that separate disclosure would not be meaningful.

The Group is active in sales and lease of properties, operations and management of toll bridges, the provision of real estate agency and management services, logistic and other services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled entities. However, the directors are of the opinion that the transactions with State-controlled entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and notes 23, 30 and 33. The details of the Company's amounts due from and to related parties are disclosed in the Company's statement of financial position and notes 24, 33 and 34.

50. Events After the Reporting Period End

(a) On 9 September 2009, the Company entered into a subscription agreement with Shell Electric Mfg. (Holdings) Company Limited ("SMC"), a public limited company incorporated in Hong Kong and its shares are listed on the Hong Kong Stock Exchange. The Company, or one or more special purpose vehicles wholly-owned by the Company (the "Offeror") will subscribe for 157,045,368 shares at a consideration of HK$2.90 per share in cash (the "Subscription"), representing approximately 30% of the issued share capital of SMC as at 9 September 2009 and approximately 23.08% of the issued share capital of SMC as enlarged by the Subscription. Star Amuse Limited, an indirectly wholly owned subsidiary of the Company, subscribed 157,045,368 shares at cash consideration of approximately HK$455 million and accordingly, completion of the Subscription took place on 10 February 2010.

On 26 February 2010, J.P. Morgan Securities (Asia Pacific) Limited, financial adviser to Star Amuse Limited, on behalf of Star Amuse Limited, made a voluntary unconditional cash offer (the "Offer") for all the issued shares in SMC, other than those already owned or agreed to be acquired by Star Amuse Limited and parties acting in concert with it ("Offer Share"), on the basis of HK$5.00 ("Share Offer Price") in cash for each Offer Share. As at 23 February 2010, the latest practicable date, there were 680,529,930 issued shares in the capital of SMC (as enlarged by the Subscription), of which Star Amuse Limited together with parties acting in concert with it held 157,045,368 issued shares. Assuming that the Offer is accepted in full, the Offer applies to 523,484,562 issued shares, representing approximately 76.92% of the issued share capital of SMC. The maximum consideration payable under the Offer is approximately HK$2,617 million (excluding stamp duty) based on the Share Offer Price, which will be financed entirely by cash from the Company's internal resources. The Offer will close on 29 March 2010 and will not be extended.

Upon closing of the Offer, Mr. Billy K. Yung, the director and a substantial shareholder of SMC, undertakes that, he will use his best endeavours to procure other substantial shareholders to accept the Offer to the extent that Star Amuse Limited will own no less than 50.1% of the issued share capital of SMC as enlarged by the Subscription. Mr. Billy K. Yung and the Company will also jointly undertake to maintain the 25% public float requirement and will jointly sell or transfer the issued shares held by them to the public (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) such that at least 25% of the issued shares of SMC are held by the public.

(b) On 17 March 2010, the Company and one of its subsidiaries entered into a joint venture agreement with other independent third parties and a connected party for establishment and management of a fund to invest real estate projects in the PRC. As at the date of the JV Agreement, the Company and other joint venture partners have accepted a total capital commitment of US$250 million (equivalent to approximately HK$1,950 million).Details of the fund have been set out in the announcement of the Company dated 17 March 2010.

51. Particulars of Principal Subsidiaries

The following are the particulars of the subsidiaries at 31 December 2009 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Advocate Properties Limited	100,000 shares of HK$1 each	—	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	—	100	Property investment
Arch Regent Investments Limited(i)	1 share of US$1	—	100	Investment holding
北京中海豪庭房地產開發有限公司(iv)	RMB10,000,000	—	100	Property development
北京中海豪峰房地產開發有限公司(iv)	RMB50,000,000	—	100	Property development
北京中海地產有限公司(iv)	RMB50,000,000	—	100	Property development
北京嘉益德房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
北京中海廣場置業有限公司 (formerly known as 北京國潤房地產開發經營有限公司)(v)	RMB30,000,000	—	100	Property development
Beijing Yorkley Real Estate Development Co., Ltd.(iv)	US$12,000,000	—	100	Property development
Beijing Zhonghai Seagarden Real Estate Development Co., Ltd.(iv)	US$11,920,000	—	72	Property development
北京勝古房地產開發有限責任公司(v)	RMB16,000,000	—	93.75	Property development
北京中海物業管理有限公司(v)	RMB5,000,000	—	100	Real estate management
北京中海置業有限公司(v)	RMB29,000,000	—	100	Property development

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Changchun China Overseas Property Co., Ltd.(iv)	RMB10,000,000	—	100	Property development
China Overseas Building Management Limited	100 shares of HK$1 each	—	100	Real estate management
China Overseas Finance (Cayman) I Limited (vii)	1 share of US$1	100	—	Issuance of guaranteed notes
China Overseas Industrial Holdings Limited	2 shares of HK$1 each	100	—	Investment holding
China Overseas Infrastructure Limited	2 shares of HK$1 each	—	100	Investment holding
China Overseas Infrastructure Holdings Limited(vii)	1 share of HK$0.10	—	100	Investment holding
China Overseas Material Technology Company Limited	100 shares of HK$1 each	—	100	Investment holding
China Overseas Property Agency Limited	2 shares of HK$1 each	—	100	Real estate agency
China Overseas Property Group Co., Ltd.(iii)	RMB2,610,200,000	—	100	Property development, trading and investment and investment holding
China Overseas Property Limited	100 shares of HK$10 each	100	—	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	—	100	Investment holding

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
China Overseas Property Services Limited	10 shares of HK$10 each	—	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited(i)	1 share of US$1	100	—	Investment holding
China Overseas Road & Bridge Holdings Limited(i)	1 share of US$1	—	100	Investment holding
China Overseas Security Services Limited	2 shares of HK$1 each	—	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	—	100	Investment holding
Chinatone Industrial Limited	1 share of HK$1	—	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	—	Loan financing, investment holding and security investments
Goodrich Company Limited(viii)	MOP25,000	—	100	Property development
Classic China Products Limited	10,000 shares of HK$100 each	—	100	Investment holding
深圳市中海光大房地產開發有限公司(formerly known as 深圳市光大月亮灣畔物業發展有限公司)(ii)	RMB50,000,000	—	78	Property development
中海寶松物業發展(深圳)有限公司(ii)	HK$262,500,000	—	100	Property development
COB Development (Shanghai) Co., Ltd.(ii)	US$17,000,000	—	100	Property development and trading
中海興業(成都)發展有限公司(ii)	US$20,000,000	—	100	Property development
中海信和(成都)物業發展有限公司(ii)	HK$420,000,000	—	80	Property development
中海振興(成都)物業發展有限公司	US$49,800,000	—	100	Property development
成都中海鼎盛房地產開發有限公司(ii)	RMB50,000,000	—	100	Property development
重慶投創地產有限公司(v)	RMB20,000,000	—	100	Property development
中海地產重慶有限公司(v)	RMB20,000,000	—	100	Property development
中海興業(寧波)有限公司(ii)	US$33,000,000	—	100	Property development
中海發展(廣州)有限公司(ii)	US$21,000,000	—	100	Investment holding, property development, building construction and project management

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
中海發展(西安)有限公司(ii)	US$13,250,000	—	100	Property development
中海興業(西安)有限公司(ii)	US$30,000,000	—	100	Property development
中海鼎業(西安)房地產有限公司(v)	RMB921,970,000	—	100	Property development
中海發展(蘇州)有限公司(ii)	US$250,000,000	—	100	Property development
中海地產諮詢(上海)有限公司(ii)	US$500,000	—	100	Real estate agency investment holding
中海物業管理廣州有限公司(v)	RMB15,800,000	—	100	Real estate management
中海地產(蘇州)有限公司(v)	RMB379,740,000	—	100	Property development
中海發展(杭州)有限公司(v)	RMB368,623,780	—	100	Property development
中海地產(杭州)有限公司	US$99,800,000	—	100	Property development
中海英奧置業(蘇州)有限公司	RMB136,620,000	—	100	Property development
中海地產(青島)投資開發有限公司(v)	RMB1,496,781,720	—	100	Property development
中海地產(佛山)有限公司	RMB1,100,000,000	—	100	Property development
Dong Kong Holdings Limited	5,000,000 shares of HK$1 each	—	100	Investment holding
East Capital (H.K.) Limited	1 share of HK$1	—	100	Investment holding
Elite Way International Development Limited	1,000,000 shares of HK$1 each	—	100	Property development
Entrepot Limited	100 shares of HK$1 each	—	100	Property development
Further Good Development Limited	100 shares of HK$1 each	—	100	Property trading
Grand Shine Development Limited	1 share of HK$1	100	—	Investment holding
Gain Direct Limited (i)	1 share of US$1	—	100	Investment holding
Gold Jade International Holdings Limited	10,000 shares of HK$1 each	—	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	—	100	Property development, trading and investment
Great Trend Investment Limited	10,000 shares of HK$1 each	—	100	Investment holding
Guangzhou Haijin Real Estate Development Co., Ltd.(iv)	RMB80,000,000	—	100	Property development
廣州海粵房地產發展有限公司(iv)	RMB138,000,000	—	100	Property trading and investment

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
廣州中海地產有限公司[v]	RMB100,000,000	—	100	Property development
廣州江東房地產開發有限公司[iv]	RMB99,800,000	—	100	Property development
廣州藍灣房地產開發有限公司[v]	RMB15,000,000	—	100	Property development
廣州中海名都房地產發展有限公司[iv]	RMB400,000,000	—	100	Property development
廣州良寶房地產投資諮詢有限公司[v]	RMB1,000,000	—	100	Property development
Hainan Ruler Limited[i]	1 share of US$1	100	—	Investment holding
Hua Yi Design Consultants Limited	1,000,000 shares of HK$1 each	100	—	Design consultancy services and investment holding
香港華藝設計顧問(深圳)有限公司[ii]	RMB12,000,000	—	100	Design consultancy services
北京中海華藝城市規劃設計有限公司[ii]	RMB1,000,000	—	100	Design consultancy services
Kee Yet Company Limited	2 shares of HK$1 each	—	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	—	100	Investment holding
Macfull Limited	1,000 shares of HK$1 each	—	60	Property development
Macwan Limited	10 shares of HK$1 each	—	70	Property development
Macyat Limited	10,000 shares of HK$1 each	—	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	—	100	Property development
Mepork Services Limited	100 shares of HK$1 each	—	100	Provision of building cleaning, maintenance and security services
南京中海地產有限公司[v]	RMB20,000,000	—	100	Property development
南京海潤房地產開發有限公司[ii]	US$50,000,000	—	100	Property development
Ocean Group Limited	2 shares of HK$1 each	—	100	Property investment
On Success Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Prosper Sea Developments Limited[i]	1 share of US$1	—	100	Investment holding
Right Max Development Limited	1,000,000 shares of HK$1 each	—	100	Property development

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Rise Stand Developments Limited(i)	1 share of US$1	—	100	Investment holding
Safe Future Investments Limited(i) & (vi)	1 share of US$1	—	100	Investment holding
Shanghai Hai Xing Realty Co., Ltd.(iv)	US$15,000,000	—	51	Property trading and investment
上海海創房地產有限公司(v)	RMB10,000,000	—	100	Property development
上海萬和房地產有限公司(iv)	US$43,340,000	—	95	Property development
上海新海匯房產有限公司(iv)	US$40,000,000	—	99.5	Property development
上海中海房地產有限公司(v)	RMB10,000,000	—	100	Property development
上海中海海華房地產有限公司(v)	RMB10,000,000	—	98	Property development
上海中海海庭房地產有限公司(v)	RMB10,000,000	—	98	Property development
上海中海海怡房地產有限公司	RMB20,000,000	—	100	Property development
Shenzhen China Overseas Property Co., Ltd.(iv)	HK$50,000,000	—	100	Property development
深圳市中海投資有限公司(v)	RMB500,000,000	—	100	Investment holding
深圳市中海深圳灣房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
深圳市中海日輝台物業發展有限公司	RMB41,791,000	—	100	Property development
深圳市志趣諮詢服務有限公司(ii)	RMB5,000,000	—	100	Investment holding
深圳永福通實業有限公司(ii)	RMB5,000,000	—	100	Investment holding
深圳市喜逢春諮詢服務有限公司(ii)	RMB8,600,000	—	100	Investment holding
深圳市中海龍富房地產開發有限公司（formerly known as 深圳市中海龍城房地產開發有限公司）(v)	RMB150,000,000	—	100	Property development
深圳市中海電梯工程有限公司(v)	RMB5,000,000	—	100	Real estate management
深圳市中海樓宇科技有限公司(v)	RMB5,000,000	—	100	Real estate management
深圳市中海社區環境工程有限公司(v)	RMB2,000,000	—	100	Real estate management
深圳中海地產有限公司	RMB53,452,000	—	100	Property development
中海月朗苑物業發展（深圳）有限公司(ii)	HK$10,000,000	—	100	Property development

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Silver Yield Development Limited	100 shares of HK$1 each	—	100	Property trading
Splendid Return Limited(i)	50,000 shares of US$1 each	—	100	Investment holding
Techflex Limited(i) & (vi)	1 share of US$1	—	100	Investment holding
Total Wonder Limited(i)	1 share of US$1	—	100	Investment holding
Wealth Faith Developments Limited(i)	1 share of US$1	—	100	Investment holding
Widenews Company Limited ("Widenews")	2 shares of HK$1 each(ix)	—	100	Property development and investment holding
Wing Sea Group Limited(i)	1 share of US$1	—	100	Investment holding
Winwhole Development Limited	100 shares of HK$1 each	—	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	—	100	Investment holding
Yorkley Group Limited	100 shares of HK$1 each	—	100	Investment holding
Zhonghai Property Management (Shanghai) Co., Ltd.(ii)	US$610,000	—	100	Real estate management
中山市中海房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
China Super Group Limited (i)	1 share of US$1	—	100	Investment holding
Peak Top Enterprises Limited (i)	1 share of US$1	—	100	Investment holding
Proud Sea International Limited (i)	10 shares of US$1 each	90	—	Investment holding
Seawave Company Ltd (i)	1 share of US$1	—	100	Investment holding
Trade Brilliant Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Treasure Trinity Limited(i)	1 share of US$1	—	100	Investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited(viii)	MOP1,000,000	—	100	Property development
天津中海嘉業投資有限公司(v)	RMB10,000,000	—	100	Property development
天津中海興業房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
天津津圳投資有限公司(v)	RMB20,000,000	—	95	Property development
青島中海興業房地產有限公司(v)	RMB10,000,000	—	100	Property development
青島中海鼎業房地產有限公司(v)	RMB10,000,000	—	100	Property development
青島中海嘉業房地產有限公司(v)	RMB10,000,000	—	100	Property development

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
大連中海地產有限公司(v)	RMB20,000,000	—	100	Property development
長春中海物業管理有限公司(v)	RMB1,000,000	—	100	Real estate management
長春海華房地產開發有限公司	RMB68,064,000	—	100	Property development
成都中海物業管理有限公司(v)	RMB3,000,000	—	100	Real estate management
杭州中海房地產有限公司 (formerly known as 中海發展(杭州)有限公司)(v)	RMB738,114,785	100	—	Property development
佛山市中海興業房地產開發有限公司(v)	RMB388,200,000	—	100	Property development
上海錦港房地產發展有限公司(v)	RMB20,000,000	—	100	Property development
中怡華海房地產開發(珠海)有限公司(v)	RMB405,000,000	—	100	Property development
珠海市志趣諮詢服務有限公司(v)	RMB100,000	—	100	Property development
珠海市永福通諮詢服務有限公司(v)	RMB100,000	—	100	Property development
珠海市中勝海逸諮詢服務有限公司(v)	RMB116,304	—	100	Property development
珠海市雄晉諮詢服務有限公司(v)	RMB100,000	—	100	Property development
廣逸房地產開發(珠海)有限公司 (formerly known as 珠海市廣逸諮詢服務有限公司)(v)	HK$1,200,000,000	—	100	Property development
珠海市啟光諮詢服務有限公司	RMB100,000	—	100	Property development
珠海市海利達諮詢服務有限公司	RMB100,000	—	100	Property development
濟南中海地產有限公司	RMB397,073,400	—	100	Property development
濟南中海地產投資有限公司(v)	RMB50,000,000	—	100	Property development
上海中海物業管理有限公司	RMB5,050,000	—	100	Real estate management
中海地產(瀋陽)有限公司	RMB1,289,618,012	—	100	Property development
瀋陽中海興業房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
瀋陽中海新海滙置業有限公司(v)	RMB20,000,000	—	100	Property development
雲南中海城投房地產有限公司(v)	RMB10,000,000	—	100	Property development
昆明中海房地產有限公司(v)	RMB10,000,000	—	100	Property development

51. Particulars of Principal Subsidiaries *(continued)*

(i) Incorporated in the British Virgin Islands

(ii) Foreign investment enterprise registered in the PRC

(iii) Joint stock limited company established in the PRC

(iv) Sino-foreign joint venture registered in the PRC

(v) Limited liability company registered in the PRC

(vi) Operating principally in the PRC

(vii) Incorporated in the Cayman Islands

(viii) Incorporated in Macau

(ix) Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Finance (Cayman) I Limited which has issued US$300,000,000 guaranteed notes (see note 38), none of which was held by the Group.

Five Year Financial Summary

(A) CONSOLIDATED RESULTS

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	7,930,763	10,910,234	16,632,553	18,892,373	**37,321,630**
Operating profit before impairment losses and allowances	2,055,547	3,059,313	6,600,722	8,623,130	**12,030,834**
Share of (losses) profits of					
Associates	(4,358)	(6,933)	(27,911)	(10,982)	**3,683**
Jointly controlled entities	44,537	433,649	386,276	(26,848)	**19,238**
Profit before tax	2,095,726	3,486,029	6,959,087	8,585,300	**12,053,755**
Income tax expense	(422,368)	(1,174,070)	(2,741,936)	(3,513,018)	**(4,449,692)**
Profit for the year	1,673,358	2,311,959	4,217,151	5,072,282	**7,604,063**
Attributable to:					
Owners of the Company	1,534,684	2,370,750	4,179,579	5,048,637	**7,468,928**
Minority interests	138,674	(58,791)	37,572	23,645	**135,135**
	1,673,358	2,311,959	4,217,151	5,072,282	**7,604,063**

Note: Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies and the current year's presentation.

(B) CONSOLIDATED NET ASSETS

	At 31 December				
	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	**2009** **HK$'000**
NON-CURRENT ASSETS					
Investment properties	1,571,560	1,638,580	2,634,750	6,428,067	**7,747,599**
Property, plant and equipment	1,213,615	1,504,331	2,232,366	275,520	**248,500**
Prepaid lease payments for land	199,801	76,861	95,736	63,465	**52,379**
Interests in associates	126,670	141,288	56,907	164,581	**180,600**
Interests in jointly controlled entities	1,289,062	1,753,783	2,588,406	1,947,655	**2,558,944**
Investments in syndicated property project companies	153,637	143,895	15,274	18,654	**20,971**
Investments in infrastructure projects	148,131	127,891	—	—	**—**
Amounts due from associates	98,727	187,227	271,697	90,108	**87,424**
Amounts due from jointly controlled entities	400,938	439	2,612,797	4,071,170	**9,172,006**
Amounts due from syndicated property project companies	542,364	490,954	1,873	1,056	**436**
Instalments receivable	9,022	6,938	4,404	763	**2,035**
Pledged bank deposits	27,611	26,782	91,377	41,680	**28,126**
Goodwill	64,525	64,525	109,021	109,021	**109,021**
Deferred tax assets	—	—	—	485,090	**650,791**
	5,845,663	6,163,494	10,714,608	13,696,830	**20,858,832**
CURRENT ASSETS	19,296,277	29,690,127	53,806,564	71,879,611	**93,258,561**
TOTAL ASSETS	25,141,940	35,853,621	64,521,172	85,576,441	**114,117,393**
NON-CURRENT LIABILITIES					
Bank loans — due after one year	(3,279,230)	(6,047,000)	(11,289,021)	(18,320,005)	**(16,969,870)**
Guaranteed notes payable	(2,320,445)	(2,323,440)	(2,326,435)	(2,329,431)	**(2,332,426)**
Amount due to a fellow subsidiary	—	—	(135,864)	—	**—**
Amounts due to minority shareholders	(915,963)	(781,020)	(873,557)	(850,983)	**(820,310)**
Deferred tax liabilities	(278,023)	(411,187)	(473,789)	(1,255,876)	**(1,990,344)**
	(6,793,661)	(9,562,647)	(15,098,666)	(22,756,295)	**(22,112,950)**
CURRENT LIABILITIES	(7,568,033)	(11,401,565)	(23,632,404)	(29,935,758)	**(50,194,812)**
TOTAL LIABILITIES	(14,361,694)	(20,964,212)	(38,731,070)	(52,692,053)	**(72,307,762)**
NET ASSETS	10,780,246	14,889,409	25,790,102	32,884,388	**41,809,631**
EQUITY ATTRIBUTABLE TO:					
Owners of the Company	11,082,625	15,449,445	26,282,040	33,219,782	**42,093,072**
Minority interests	(302,379)	(560,036)	(491,938)	(335,394)	**(283,441)**
	10,780,246	14,889,409	25,790,102	32,884,388	**41,809,631**

Major Properties and Property Interests

1. Particulars of The Group's Interests in Major Properties Held for Investment

	Name of property and location	Use	Lease term	Approximate gross floor area (excluding carparks) *sq m*	Group's interest *%*
(a)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, Office floors 4th to 30th Floors (excluding units A to F on 19th Floor) and 60 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial and carparks	Medium-term lease	19,485	100
(b)	Levels 6, 12, 17, and portion of Levels 7 and 16, Dongshan Plaza, 45–77 Xianlie Central Road, Dongshan District, Guangzhou, PRC	Commercial	50 years from 2 June 1995	11,927	100
(c)	Beijing China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	Commercial and carparks	50 years expiring on 10 June 2051	24,668	100
(d)	Portion of shops on the first and ground floor all that the basement comprising 100 car parking spaces namely Car Parking Space Nos. 1–69, Vehicle Car Parking Spaces Nos. L1–L8, L17–L21 and L22–L39 on the basement, Union Plaza, 9 Wo Muk Road, Fanling, New Territories	Commercial and carparks	Medium-term lease	6,167	100
(e)	Tower 5, Hoover Tower, 8 St. Francis Yard, Wanchai, Hong Kong	Commercial	Long-term lease	3,864	100
(f)	China Overseas Plaza, Jianguomenwai Avenue Chaoyang District, Beijing, PRC	Commercial and carparks	50 years expiring on 2 April 2053	138,328	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

2. Particulars of The Group's Interests in Major Properties Held under Development

	Name of property and location	Intended use	Stage of completion at 31 December 2009	Expected year of completion	Approximate site area *sq m*	Approximate gross floor area *sq m*	Group's interest *%*
(a)	International Community, Suzhou Suzhou Industrial Park, PRC	Residential	Construction in progress	2012	662,961	1,481,927	100
(b)	One City South No. 199 Jincheng Road, Gaoxin District, Chengdu, PRC	Commercial/ Residential	Construction in progress	2012	151,333	511,574	100
(c)	Violet Palace No. 250 Wujia Country, Shibei District, Qingdao, PRC	Residential	Construction in progress	2011	43,172	247,933	100
(d)	Majestic City I No. 191 Land, Zhabei District, Shanghai, PRC	Residential	Construction in progress	2010	28,401	109,951	100
(e)	The Prime Manor North Xinsheng Road, Shahekou District, Dalian, PRC	Residential	Construction in progress	2010	87,400	162,985	100
(f)	Olympic City Cross of Ruyi Road and North of Huanggeken Longgang Shenzhen, PRC	Residential	Construction in progress	2011	118,799	485,200	100
(g)	Universal Park No. 388 North Qianhe Road, Xiangzhou District, Zhuhai, PRC	Commercial/ Residential	Construction in progress	2013	86,161	550,455	100
(h)	Star Crest East A15 Park, Guicheng Street, Nanhai District, Foshan, PRC	Residential	Construction in progress	2011	75,936	270,388	100
(i)	Noble House West Tongjing South Road, Canglang District, Suzhou, PRC	Residential	Construction in progress	2010	48,138	204,291	100
(j)	The Wisteria Sandnu Zheng, Xihu District, Hangzhou, PRC	Residential	Construction in progress	2011	153,826	123,216	100
(k)	Lohas Island South Dushu Lake, Wuzhong District, Suzhou, PRC	Residential	Construction in progress	2012	344,643	364,574	100
(l)	No. 6 Stanley Beach Road No. 6 Stanley Beach Road, Hong Kong	Residential	Construction in progress	2010	3,766	2,824	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

3. Particulars of The Group's Interests in Major Properties Held for Sale

	Name of property and location	Use	Approximate gross floor area (excluding carparks) *sq m*	Group's interest %
(a)	Windsor Pavillion Chongwen District, Beijing, PRC	Residential/ Commercial/ offices	395,600	100
(b)	The Wesley Northern Zone Shajiang Road, Songgang Street, Bao An District, Shenzhen, PRC	Residential	296,726	100
(c)	The Rosary The Moon Park, Nanshan District, Shenzhen, PRC	Residential	125,398	100
(d)	International Commnuity, Changchun Linhe Street, Changchun, PRC	Residential/ Commercial	535,466	100
(e)	Royal Lakeside South Hongqi Road, Nankai District, Tianjin, PRC	Residential	138,236	100
(f)	COPIC International Community 1 Changbai Island, Heping District, Shenyang, PRC	Residential/ Commercial/ Carparks	463,797	100
(g)	Danasty Court Qixianling Park, Gaoxin Park District, Dalian, PRC	Residential	120,385	100
(h)	Orchid Garden No. 333, Shengbang Street, Hi-Tech Zone, Chengdu, PRC	Residential	363,026	100
(i)	Golden Spot East Yatai Road, Changchun, PRC	Residential	181,071	100
(j)	Mount Canyon Yantian District, Shenzhen, PRC	Residential	97,100	60
(k)	One North Rivera Beibin Road, Chongqing, PRC	Residential	111,971	100
(l)	The Silvercarse No. 7 Yinchuanxi Road, Shinan District, Qingdao, PRC	Residential	188,750	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

4. Particulars of The Group's Interests in Major Properties Held for Future Development

	Name of property and location	Intended use	Approximate site area *sq m*	Approximate gross floor area *sq m*	Group's interest *%*
(a)	The Phoenix West Fenghuang Road, Nanjing, PRC	Residential/ Commercial	169,561	700,000	100
(b)	Royal Lakefront West Jinji Lake, Industrial Park, Suzhou, PRC	Residential	260,452	316,624	100
(c)	Majestic City II No. 189 Land, Zhabei District, Shanghai, PRC	Residential/ Commercial	15,824	74,539	100
(d)	Ivy League Jingyang Road with Puyang Street Interchange, Changchun, PRC	Residential	78,800	416,145	100
(e)	COPIC International Community Changbai Island, Heping District, Shenyang, PRC	Residential/ Commercial	470,798	1,348,712	100
(f)	Old City Shijingshan District, Beijing, PRC	Residential	393,200	757,850	100
(g)	Grampian Road Project Nos. 21–25 Grampian Road, Kowloon Tong, Hong Kong	Residential	2,059	6,178	100
(h)	International Community West Gaoxin Park, Chengdu, PRC	Residential/ Commercial	1,324,207	1,518,607	80
(i)	Blossom Cove II Zhujiang New City, Tianhe District, Guangzhou, PRC	Residential	16,149	156,977	100
(j)	Xiangluowan Tanggu District, Tianjin, PRC	Residential/ Commercial	18,531	228,925	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

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