



中國海外發展有限公司

CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code : 688

INTERIM REPORT
2008



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*Sharpening
Capabilities for Sustained
Growth*

CORPORATE STRUCTURE



* Property development in 20 major cities in Mainland China, including Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hanzhou, Zhuhai, Tianjin, Dalin, Shenyang, Qingdao, Jinan and also in Hong Kong and Macau.

BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES

Chairman	Kong Qingping
Honourable Chairman	Sun Wen Jie [#]
Executive Directors	<div>Hao Jian Min <i>Vice Chairman & Chief Executive Officer</i></div> <div>Xiao Xiao <i>Vice Chairman</i></div> <div>Wu Jianbin</div> <div>Chen Bin</div> <div>Zhu Yijian</div> <div>Luo Liang</div> <div>Wang Man Kwan, Paul</div>
Independent Non-Executive Directors	<div>Li Kwok Po, David</div> <div>Lam Kwong Siu</div> <div>Wong Ying Ho, Kennedy</div>
Authorized Representatives	<div>Kong Qingping</div> <div>Hao Jian Min</div> <div>Xiao Xiao</div> <div><i>(Alternate authorized representative to Hao Jian Min)</i></div> <div>Wu Jianbin</div> <div><i>(Alternate authorized representative to Kong Qingping)</i></div>
Audit Committee	<div>Li Kwok Po, David*</div> <div>Lam Kwong Siu</div> <div>Wong Ying Ho, Kennedy</div>
Remuneration Committee	<div>Hao Jian Min*</div> <div>Li Kwok Po, David</div> <div>Lam Kwong Siu</div> <div>Wong Ying Ho, Kennedy</div>
Nomination Committee	<div>Kong Qingping*</div> <div>Zhu Yijian</div> <div>Li Kwok Po, David</div> <div>Lam Kwong Siu</div> <div>Wong Ying Ho, Kennedy</div>

[#] 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

Qualified Accountant

Wang Man Kwan, Paul

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-enquires@hk.tricorglobal.com

Legal Advisor

JSM

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

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
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, bonds and warrants 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

Warrants
SEHK : CHI OVERS W0808
Code: 415
Bloomberg : 415HK
Reuters : 0415.HK

Investor Relations

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Public Relations

For any enquiries, please contact:
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Assistant General Manager, PR
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Financial Calendar for 2008

Interim results : 19 August 2008
announcement
Share register closed : 22 September 2008 to
23 September 2008
(both days inclusive)
Interim dividend : 3 October 2008
payable



CHAIRMAN'S STATEMENT

Business Review

The world economy was not stable in the first six months of 2008. The sub-prime crisis has affected adversely the stability of the global financial market but the overall economic development of Hong Kong and Macau was good.

The Chinese government adopted tight monetary policy in 2008 but rapid economic growth could still be maintained. The GDP of the mainland China increased by 10.4% while the Domestic Consumer Price Index increased by 7.9%, compared with the same period last year. In order to control inflation and to absorb excess liquidity, the People's Bank of China increased the deposit reserve ratio to 17.5% and base lending rate to 7.47%. As the market is getting more complicated, the Central Government has made necessary changes to the macro control measures, aiming to ensure economic growth and to control inflation.

The Group continues to concentrate its efforts and resources on the property development business in mainland China. After the exuberance in the last quarter of 2007, the Group foresaw change in both the economy and property market of mainland China in 2008. At the beginning of year, in order to meet the challenges ahead, the Group formulated the motto "Sharpening Capabilities for Sustained Growth" and set up a strict financial budget to coordinate works of all levels. During the period, backing on its well established base and competitive edges, the Group enhanced its nationwide coverage further. Through the business networks spreading over 20 major mainland cities in the five Regions and also Hong Kong and Macau, the Group has improved its capability in balancing market risk and managed to achieve stable and sustainable business growth. Under the most challenging market environment, the Group overcame the adverse effects of the Snowstorm in southern China and the Sichuan Earthquake. Backing on its strong brand name and applying creative marketing skills, the Group strived to expedite its sales while maintaining a relatively high profit margin, thus confirming the leading status of the Group in the China real estate market.

The Group places high emphasis on carrying out its corporate social responsibility. It responded promptly to the China Snowstorm in February of 2008 and set up of a special team to attend to disaster relief works. The Group reacted immediately to the Sichuan Earthquake by actively promoting donations and participating in the rebuilding of the affected area as well as accelerating the Zhong Hai Hope School program. The projects of China Overseas Property in and around the earthquake areas were not affected. The Group's philosophy of "Excellent Integrity, Eternal and Excellent Product" was proven. The Group's emphasis on corporate social responsibility was reconfirmed.



CHAIRMAN'S STATEMENT *(CONTINUED)*

The business performance of the Group for the first half of year 2008 was excellent. The profit attributable to shareholders increased sharply by 68.8% to a record high of HK\$2.31 billion (RMB equivalent of 2.1 billion).

For the six months ended 30th June 2008, the total turnover of the Group was HK\$10.72 billion, representing an increase of 125.2% as compared to the corresponding period last year. The turnover of the Group's property development business in mainland China was HK\$9.38 billion, accounting for 87.5% of the total turnover and representing an increase of 126.6%. The turnover of Hong Kong and Macau property development business increased by over 13 times to about HK\$850.0 million.

The operating profit of the Group was HK\$4.45 billion, an increase of 121.7% as compared to the corresponding period of last year. The operating profit of the property development business in the mainland China increased by 162.1% to HK\$4.0 billion. Apart from the Pearl River Delta Region and a few cities, the overall sales and selling price were satisfactory. Sales results in Hangzhou and in Northern China were encouraging. The average gross profit margin improved from 44.4% the corresponding period last or 45.1% of last year to 47.9%; the operating profit of Hong Kong and Macau property development business increased to about HK\$380.0 million while a gross profit margin of 45% was achieved.

The property sales amount of the Group was a record high of HK\$15.81 billion and the corresponding gross floor area ("GFA") was also a record high of 1,469,000 sq.m. Sales of properties in the mainland China amounted to HK\$15.01 billion, an increase of 78.5%; GFA sold was 1,455,000 sq.m., an increase of 57.3%. A total of 13 projects were completed for occupation with a total GFA of 853,000 sq.m., 82.2% of which was sold as end of June; 2 projects in Hong Kong were completed for occupation with a total GFA of 11,000 sq.m., 81.4% of which was sold as at end of June. The Group's sales of property held for sale was satisfactory with 167,000 sq.m. sold for HK\$2.14 billion.

During the period, the Group acquired 8 parcels of high quality land in Suzhou, Hangzhou, Shanghai, Tianjin, Jinan and Zhuhai, adding a GFA of 2.30 million sq.m. After deducting the area related to the projects completed for occupation, the total land bank was increased to over 24.78 million sq.m., enough for meeting its development requirement which is set in such a way to ensure annual profit increase of over 20% in the coming 4 to 5 years.

By end of June, exercise of the 2007 bonus warrants injected in aggregate HK\$4.8 billion shareholder funds thus strengthening the Group's financial capability and optimizing the capital structure. The shareholders funds of the Company were increased to HK\$30.37 billion as at end of June.



CHAIRMAN'S STATEMENT (CONTINUED)

During the period, the Group has successfully maintained the investment grade rating issued by both Standard & Poor and Moody's.

Prospect

The macro economic development of China was good in the first half of year 2008 despite unfavorable economic environment outside China. But it is expected that economic growth in China will be stable in the second half of 2008. The efforts of the government to protect the real estate industry and to ensure its healthy development gradually become effective. They will have strong and long-term impacts to the industry. Year 2008 is a year for consolidation and obvious elimination of weaker players will take place. Such market condition is beneficial to the sustainable development of the Group.

The real estate industry has become a key pillar of the Chinese economy. If the economic development slow down further in the second half of the year, it is possible that the magnitude of macro control will be gradually relaxed. According to some authoritative researches, the real estate industry in China is at the golden stage and will grow rapidly in the next three decades. From time to time, some cities may be over-heated and have different degrees of fluctuation and adjustment. Such cyclical risks can be controlled and balanced through the nationwide strategic development and expansion of commercial properties. The Group will continue to excel its national coverage strategy and business structure. The Group has more than 1.5 million sq.m. of commercial properties, most of which will be completed before year 2010. By then, handsome stable income will be received by the Group every year.

Backing on its team of quality professionals, Excellent Quality (精品) brand recognition, abundant financial resources coming from domestic and overseas financial channels, corporate governance of international standard, shrewd market judgment and effective risk control policies and measures, the Group is fully confident that it will maintain its status as a sizable and strong nationwide real estate developer of international influence. With more projects going out to the market in the second half of this year and notwithstanding that the market will still be fluctuating, it is expected that not less than 4 million sq.m. GFA will be sold and not less than 3.5 million sq.m. GFA will be completed for year 2008. It is also expected that substantial growth in profit can be sustained by the Group for year 2008.



CHAIRMAN'S STATEMENT *(CONTINUED)*

To ensure sustainable rapid growth, the Group will expand sources in getting high quality land reserve through various means and ways including participating in major urbanization projects organized by the Central government and also in big scale consolidated development projects related to the earthquake relief works. The Group will seize opportunities to expand its land bank at low cost. It is expected that for year 2008 as a whole the total GFA coming from the new land parcels will not be less than 4.5 million sq.m..

The Company is the only blue chip company in the China real estate industry. The Group has wide range of choices in Hong Kong and China as to the most appropriate and beneficial financing arrangement and hence has adequate financial resources to support its rapid business development. The Group continues to receive the support of the controlling shareholder, China Overseas Holdings Limited and will adhere strictly to the principle of prudent financial policy, speed up the fund turning rate and maintain reasonable gearing. The net gearing ratio was temporarily increased to 58% at end of June but was reduced to about 50% in mid August. With the receipt of the proceeds from the sales in June and July, plus the completion of some other financing, the Group is confident that the net gearing ratio will reduce further.

The prospect of the Group's property development business in China is bright and promising while that of Hong Kong and Macau is good. The Board is very confident of the future of the Group. The Group will persistently enhance its competitive advantages through improvement in its management capability, operation mode, product structure and branding thus maintaining its pioneer position in the China real estate industry.

The Group will strive to achieve the corporate mission of "Sustainability, Value-adding, Harmony and Win-win". The Group will move steadily and firmly ahead with its strategy of achieving sustainable development, growing into an evergreen enterprise and attaining a win-win outcome for the Company, its shareholders, business associates, staff members and the community.



MANAGEMENT DISCUSSION & ANALYSIS

Overall Performance

During the period reported, the turnover of the Group's continuing operations was HK\$10.72 billion (the corresponding period in 2007: HK\$4.76 billion), representing an increase of 125.2% as compared to the corresponding period last year. The operation profit was HK\$4.45 billion (the corresponding period in 2007: HK\$2.01 billion), representing an increase of 121.7% as compared to the corresponding period last year. Profit attributable to equity shareholders amounted to HK\$2.31 billion (the corresponding period in 2007: HK\$1.37 billion), representing an increase of 68.8%. Basic earnings per share was HK29.8 cents (the corresponding period in 2007: HK19.2 cents), an increase of 55.2%, while diluted earnings per share was HK\$29.6 cents (the corresponding period in 2007: HK18.8 cents).

As at 30 June 2008, the equity attributable to equity shareholders of the Group was HK\$30.37 billion (31 December 2007: HK\$26.3 billion), an increase of 15.6%, while the book value of net asset per share was HK\$3.9 (31 December 2007: HK\$3.4), an increase of 14.7%.

Income

The operating income from property development business was HK\$10.23 billion, representing an increase of 143.4%. The operation income from the mainland China property development business increased by 126.6% to HK\$9.38 billion due to the faster growth of property sales in mainland China, making up 91.7% of the total property development turnover and 87.5% of the Group's turnover. The operating income from property development in Hong Kong and Macau was HK\$850 million, representing an increase of over 13 times as compared to the corresponding period last year.

Rental income of properties was HK\$95 million, representing an increase of 61.8% as compared to the corresponding period last year.

Income from other operations amounted to about HK\$400 million, representing a decrease of 20.7% as compared to the corresponding period last year.



MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Profit from Operations

During the period reported, the operating profit was HK\$4.45 billion, representing an increase of 121.7% as compared to the corresponding period last year. The operating profit from PRC property development business amounted to HK\$4.0 billion, representing an increase of 162.1%. The profit from PRC property development business was mainly attributable to sales from 13 projects completed during the period and property held for sales. The overall gross profit margin of property development business in the mainland China in the first half of 2008 increased from 44.4% in the first half of 2007 or 45.1% in year 2007 to 47.9%. The property development business in Hong Kong and Macau recorded a profit of HK\$380 million while the gross profit margin was 45%.

Investment properties continued to provide a stable source of income to the Group, contributing an operating profit of HK\$59 million.

Unallocated Administrative Expenses

The unallocated administrative expenses of the Group for the first half of 2008 was HK\$49 million, representing a decrease of 30.0% as compared to the corresponding period last year.

Property Development

During the period, the world economy was not stable. Economic development in Hong Kong and Macau was good. The macro economy of mainland China was still good. As the market is getting more complicated, the Central Government has made necessary changes to the macro control measures, aiming to ensure economic growth and to control inflation. It is expected that economic growth in China will be stable in the second half of 2008. The efforts of the government to protect the real estate industry and to ensure its healthy development have gradually seen to have effects. They will have strong and long-term impacts on the industry. The property prices in the Pearl River Delta Region and the Yangtze, especially those of Shenzhen and Guangzhou underwent significant downward adjustment in response to the exceptional sharp rise in prices in year 2007. The property market is now more rational. Year 2008 is a year for consolidation and elimination process will be more obvious. Such market condition is beneficial to the sustainable development of the Group.



MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

After the exuberance in the last quarter of year 2007, the Group foresaw change in both the economy and property market of mainland China in 2008. In order to meet the challenges ahead, the Group formulated the motto "Sharpening Capabilities for Sustained Growth" at the beginning of the year. Under such challenging market environment, the Group managed to achieve satisfactory result as well as stable and sustainable business growth.

During the period reported, property contracted sales of the Group was HK\$15.81 billion, representing an increase of 84.9% over the corresponding period in 2007. The total gross floor area sold amounted to 1,469,000 sq.m., representing an increase of 58.3% over the corresponding period of last year. Property contracted sales in the mainland China amounted to HK\$15.01 billion, representing an increase of 78.5% over the same period of last year. The total gross floor area sold in mainland China was 1,455,000 sq.m., representing an increase of 57.3% over the same period of last year. Property contracted sales in Hong Kong and Macau amounted to HK\$800 million and the total gross floor area sold was about 14,000 sq.m. As at end of June, property pre-sold and not yet completed for occupation amounting to HK\$14.33 billion in value and 1.5 million sq.m. in area.

It is expected that the market condition will be fluctuating in the second half of the year. However, as more new projects are launched for sales, the Board is confident that our annual target of more than 4 million sq.m. in sales area and more than 3.5 million sq.m. in completed area can both be met.



MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

During the period reported, 15 projects with a total gross floor area of 864,000 sq.m. were completed for occupation in mainland China, Hong Kong and Macau, of which 82.2% or 710,000 sq.m. was sold. The 15 projects completed for occupation were:

City	Name of Project	Total GFA (‘000 sq.m.)	Total GFA Sold (‘000 sq.m.)
Hong Kong	In House	7.4	6.9
	Hey Home	3.9	2.3
Zhongshan	Fairyland II	22.8	21.1
Guangzhou	Park Royale I	74.4	72.8
	South Gardon	38.7	37.4
Foshan	Gold Coast II	197.0	182.0
Shanghai	Bay Line I	38.1	36.2
	Jade Laguna Villa I	10.9	9.9
Suzhou	Lakeside Palace II	126.5	109.7
	Galaxy Centro II	26.6	22.5
Beijing	Walden Pond Villa II	34.9	23.1
	The Metropolis II	25.9	24.3
Chengdu	International Community 5A	99.0	45.7
	Dragon Peninsula	106.0	80.1
Chongqing	One North Riviera	52.2	36.9
Total		864.3	710.9

The sales of the Group's property held for sale before 2007 was HK\$2.14 billion with a total gross floor area of 167,000 sq.m. By the end of June, property held for sale was 828,000 sq.m..



MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Land Bank

During the period reported, the Group newly acquired 8 parcels of land in 6 cities of mainland China with a total gross floor area of approximately 2.30 million sq.m. The parcels of land acquired are located in Suzhou, Hangzhou, Shanghai, Tianjin, Jinan and Zhuhai. The total land bank of the Group reached 24.78 million sq.m. as at end of June, an increase of 40.3% as compared to the end of June 2007. The land reserve is sufficient for meeting the Group's development requirement which is set in such a way to ensure annual profit increase of over 20% in the next 4 to 5 years.

New Land Reserve added in the first half of 2008

City	Name of Project	Attributable Interest	Site Area (’000 sq.m.)	GFA (’000 sq.m.)	Land Cost (HK\$ million)
Suzhou	2007-G-53 land parcel	100%	344.6	344.4	1,786
Hangzhou	Binjiang No. 76 land parcel	50%	43.9	167.8	900
	Binjiang No. 75 land parcel	50%	96.8	360.7	1,743
Shanghai	Kangqiao Telecom Park A District No. 1, Nanhui District	100%	131.2	191.4	1,040
Tianjin	Jintan (2007) No. 36 land parcel	100%	8.6	56.2	39
	Xiangluo Bay CBD C02 land parcel	100%	9.9	172.7	32
Jinan	Shengfu B-1, Lixia District	100%	172.9	346.2	452
Zhuhai	Hengqin Island Project	100%	81.9	137.9	98
Total			889.8	1,777.3	6,090

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Liquidity, Financial Resources and Gearing

The Group adopts a prudent financial policy. Finance, treasury and fund raising activities of the Group are subject to centralized management and supervision. It continues to maintain a cash-on-hand ratio of about 10% to its total assets and a reasonable level of gearing.

On 30 June 2008, the net gearing ratio of the Group was 57.5% (31 December 2007: 30%) (calculated on the basis of dividing the difference between bank loans and guaranteed notes payable and the bank balance and cash by shareholders' equity). In the first half of the year, in order to support the rapid growth of the Group, the total loan amount inevitably increased. Due to the global credit crunch, the cost of financing also increased. As a result, the finance cost increased by more than 15% to HK\$370 million as compared to the corresponding period of last year.

As at 30 June 2008, the bank loans and guaranteed notes payable of the Group amounted respectively to HK\$22.59 billion (31 December 2007: HK\$14.17 billion) and HK\$2.33 billion (31 December 2007: HK\$2.33 billion), of which 47.5% was denominated in Hong Kong dollars, 9.3% was in U.S. dollars and 43.2% was in Renminbi.

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As at 30 June 2008, the Group had bank balances and cash amounted to approximately HK\$7.46 billion (of which 32.3% was denominated in Hong Kong dollars, 6.1% was denominated in U.S. dollars, 61.4% was denominated in Renminbi and 0.2% was denominated in Macau MOP) and unutilized banking facilities amounted to approximately HK4.1 billion. The Group has secured banking facilities of HK\$1.6 billion after end of June. It is expected that more than HK\$2 billion new banking facilities will be secured shortly, thus substantially increasing standby financial resources of the Group and solidly demonstrating the Group's credit-worthiness and financial capabilities in difficult times. All the borrowings of the Group are unsecured and were made on floating rates.

Most of the bonus warrants issued to shareholders in August 2007 was exercised and shareholders' funds of HK\$5.37 billion (HK\$4.40 billion was from the controlling shareholder of the Company, China Overseas Holdings Limited) was raised by the Group by 15 August 2008. The support of the controlling shareholder to the Group and the capability of the Group to raise funds from the capital market were confirmed.

The Group has no other derivative exposure either for hedging or speculative purpose. Taking into consideration the potential increase of interest rate and the fluctuation of Renminbi and subject to detailed studies, the Group will carefully consider entering into currency and interest rate swap arrangements.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Awards and Corporate Social Responsibilities

Awards

China Overseas Property (中海地產) is a leading property developer in mainland China. Projects developed by China Overseas property are regarded as elite products of high quality. During the period, the Group received numerous awards and there were two special ones. In April, "China Overseas Property" was rated one of the "2007 Most Respectful Enterprises in China" by the Business Observatory and Management Case Study Centre of The Beijing University. The award was based on the emphasis on corporate social responsibility, creativity, management capability, corporate image and leadership of the enterprises. Also, the Company was granted by CNBC 5 awards (biggest in number of awards received among mainland China property developers) in the International Property Corporation (Asia Pacific) sector. The CNBC international property awards are highly regarded and of long history.

In recognition of its outstanding contribution to corporate citizenship, China Overseas (中國海外) won an award given by the Steering Committee of the Third Chinese Enterprises Corporate Citizenship Forum (第三屆中國企業社會責任高峰論壇組織委員會).

Corporate Social Responsibilities

The Group places high emphasis on carrying out its corporate social responsibility, and is keen to participate in community programmes and charitable activities. It responded promptly to the China Snowstorm in February of 2008 and set up of a special team to attend to disaster relief works. The Group also reacted immediately to the Sichuan Earthquake by actively prompting donations and participating in rebuilding the affected area as well as accelerating the Zhong Hai Hope School program. Just in the month of June, the Group signed agreements to build the China Overseas Hope School in San Xia, Chongqing and Zhou Zhi, Shaanxi and to rebuild the Special Education School in Du Jiang Yan, Sichuan. The aggregate amount of contribution is RMB15 million. In addition to the donation to the snowstorm at the beginning of the year, the total amount of donation made or committed by the Group exceeded HK\$20 million in the period.

Also, environment protection and safety are important factors during the design and work execution of property projects. As a property developer, the Group has major contribution towards the economic development, infrastructure building, environment enhancement and provision of job opportunities in the urban areas of China. The property projects of the Group in and around the earthquake areas had no defects during the earthquake. The Group's philosophy of "Excellent Integrity, Eternal and Excellent Product" was proven. The Group's emphasis on corporate social responsibility was reconfirmed.



MANAGEMENT DISCUSSION & ANALYSIS *(CONTINUED)*

Human Resources

As at 30 June 2008, the Group had 11,348 employees, including 95 employees at the headquarters, 2,170 employees in property business, 7,852 employees in property management and 1,231 employees in infrastructure business. If divided by geographical location, 924 employees were based in Hong Kong and Macau and 10,424 employees were based in mainland China.

The Group firmly believes that human resources are the most valuable assets in any organization and has formulated a human resources system which promotes personal development, good working atmosphere as well as appropriate motivation for all the staff. Staff is given room and opportunities to perform their best and receive satisfactory rewards in return. The middle and senior managerial staffs in all business lines and departments are hence very stable.

In April this year, “China Overseas Property” was granted 2 major awards in the “Third China Human Resources Management” competition. China Overseas Property is generally regarded as a specialized and competitive brand name in human resources management capable of fostering people to be leaders in the industry. As the only mainland developer received such an award, the emphasis of the Group on human resources management is thus confirmed.



CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the six months ended 30 June 2008 and the comparative figures for the corresponding period in 2007 are as follows:

	Notes	Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Turnover	3	10,719,763	4,759,655
Cost of sales		(5,402,470)	(2,460,855)
Direct operating expenses		(251,010)	(326,507)
		5,066,283	1,972,293
Increase in fair value of investment properties		—	240,000
Other operating income		87,217	163,448
Decrease in fair value of investments held for trading		(12,597)	(385)
Selling and distribution costs		(268,148)	(155,939)
Administrative expenses		(425,722)	(213,386)
Operating profit	4	4,447,033	2,006,031
Share of (losses) profits of Associates		(4,384)	(9,644)
Jointly controlled entities		64,663	189,032
Finance costs		(262,694)	(267,054)
Profit before tax		4,244,618	1,918,365
Income tax expense	5	(1,919,525)	(568,292)
Profit for the period		2,325,093	1,350,073



CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Notes	Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Attributable to:			
Equity shareholders of the Company		2,305,220	1,365,418
Minority interests		19,873	(15,345)
		2,325,093	1,350,073
		HK cents	HK cents
EARNINGS PER SHARE	7		
Basic		29.8	19.2
Diluted		29.6	18.8



CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Non-current Assets		
Investment properties	2,634,750	2,634,750
Property, plant and equipment	1,419,594	1,212,085
Prepaid lease payments for land	98,128	95,736
Interests in associates	252,266	328,604
Interests in jointly controlled entities	5,755,441	5,201,203
Investments in syndicated property project companies	22,354	17,147
Other financial assets	1,775	4,404
Pledged bank deposits	35,710	91,377
Goodwill	109,021	109,021
	10,329,039	9,694,327
Current Assets		
Inventories	8,190	7,636
Stock of properties	48,996,028	39,890,087
Investments held-for-trading	21,026	73,340
Prepaid lease payments for land	3,919	3,713
Deposit for acquisition of properties	2,465,834	2,532,248
Trade and other receivables	1,344,998	1,454,511
Deposits and prepayments	1,707,374	974,664
Amounts due from jointly controlled entities	4,072,604	425,638
Amount due from associates	660,184	827,958
Tax prepaid	173,407	39,082
Amounts due from minority shareholders	141,761	119,808
Pledged bank deposits	108,556	512,954
Bank balances and cash	7,314,623	7,965,206
	67,018,504	54,826,845



CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Current Liabilities		
Trade and other payables	6,679,125	7,201,887
Pre-sales deposits	8,572,774	8,982,528
Rental and other deposits	340,155	251,877
Amounts due to associates	179,021	162,651
Amounts due to jointly controlled entities	1,294,779	1,358,497
Tax liabilities	3,775,804	2,789,968
Bank loans — due within one year	5,916,925	2,884,996
	26,758,583	23,632,404
Net Current Assets	40,259,921	31,194,441
	50,588,960	40,888,768
Capital and Reserves		
Share capital	776,996	774,371
Share premium and reserves	29,594,256	25,507,669
Equity attributable to equity shareholders of the Company	30,371,252	26,282,040
Minority interests	(426,150)	(491,938)
Total Equity	29,945,102	25,790,102
Non-current Liabilities		
Bank loans — due after one year	16,672,895	11,289,021
Guaranteed notes payable	2,327,933	2,326,435
Amounts due to minority shareholders	998,421	873,557
Amount due to a fellow subsidiary	168,050	135,864
Deferred tax liabilities	476,559	473,789
	20,643,858	15,098,666
	50,588,960	40,888,768



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(6,846,818)	(537,343)
NET CASH USED IN INVESTING ACTIVITIES	(3,658,550)	(463,972)
NET CASH FROM FINANCING ACTIVITIES	7,891,794	1,086,427
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,613,574)	85,112
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,886,655	3,589,051
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,904,426	167,928
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,177,507	3,842,091
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	7,423,179	4,494,476
Less: restricted bank balances	(245,672)	(641,584)
	7,177,507	3,852,892
Bank loans and overdrafts	—	(10,801)
	7,177,507	3,842,091



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	PRC statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	700,606	9,066,154	18,798	448,611	283,000	4,932,276	15,449,445	(560,036)	14,889,409
Net exchange differences on translation of foreign operations	—	—	—	347,480	—	—	347,480	19,617	367,097
Minority shareholders' share of subsidiaries' reserve movements	—	—	—	(1,741)	—	—	(1,741)	1,741	—
Share of associates' reserve movements	—	—	—	4,158	—	—	4,158	—	4,158
Change in fair value of investments in syndicated property project companies	—	—	—	8,636	—	—	8,636	—	8,636
Net income recognized directly in equity	—	—	—	358,533	—	—	358,533	21,358	379,891
Profit for the period	—	—	—	—	—	1,365,418	1,365,418	(15,345)	1,350,073
Release of reserve upon realisation of assets	—	—	—	29,200	—	—	29,200	—	29,200
Total recognised income and expense for the period	—	—	—	387,733	—	1,365,418	1,753,151	6,013	1,759,164
2006 final dividend paid	—	—	—	—	—	(436,490)	(436,490)	—	(436,490)
Issue of shares upon exercise of share options	2,682	77,497	—	(1,248)	—	—	78,931	—	78,931
Share issue expenses — share options	—	(78)	—	—	—	—	(78)	—	(78)
Issue of shares upon exercise of warrants	25,684	1,130,124	—	—	—	—	1,155,808	—	1,155,808
Share issue expenses — warrants	—	(286)	—	—	—	—	(286)	—	(286)
Recognition of share-based payments	—	—	—	703	—	—	703	—	703
Capital contributions from equity participants	—	—	—	—	—	—	—	11,340	11,340
Transfer to PRC statutory reserve	—	—	—	—	771	(771)	—	—	—
At 30 June 2007	728,972	10,273,411	18,798	835,799	283,771	5,860,433	18,001,184	(542,683)	17,458,501
Net exchange differences translation of foreign operations	—	—	—	741,441	—	—	741,441	(17,975)	723,466
Minority shareholders' share of subsidiaries' reserve movements	—	—	—	140	—	—	140	(140)	—
Share of associates' reserve movements	—	—	—	17,515	—	—	17,515	—	17,515
Share of jointly controlled entities' reserve movements	—	—	—	248,231	—	—	248,231	—	248,231
Change in fair value of investments in syndicated property project companies	—	—	—	(91,535)	—	—	(91,535)	—	(91,535)
Net income recognised directly in equity	—	—	—	915,792	—	—	915,792	(18,115)	897,677
Profit for the period	—	—	—	—	—	2,814,161	2,814,161	52,917	2,867,078
Eliminated upon disposal of subsidiaries	—	—	—	(68,158)	—	—	(68,158)	—	(68,158)
Release upon disposal of investments in syndicated property project companies	—	—	—	67,874	—	—	67,874	—	67,874
Release of reserve upon realisation of assets	—	—	—	18,711	—	—	18,711	—	18,711
Total recognised income and expense for the period	—	—	—	934,219	—	2,814,161	3,748,380	34,802	3,783,182



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	PRC statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
Issue of shares upon exercise of share options	1,113	18,697	—	(1,760)	—	—	18,050	—	18,050
Share issue expenses — share options	—	(17)	—	—	—	—	(17)	—	(17)
Issue of shares upon exercise of warrants	44,286	4,856,576	—	—	—	—	4,900,862	—	4,900,862
Share issue expenses — warrants	—	(150)	—	—	—	—	(150)	—	(150)
Recognition of share-based payments	—	—	—	701	—	—	701	—	701
Capital contributions from equity participants	—	—	—	—	—	—	—	55,118	55,118
2007 interim dividend paid	—	—	—	—	—	(386,970)	(386,970)	—	(386,970)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(39,175)	(39,175)
Transfer to PRC statutory reserve	—	—	—	—	66,613	(66,613)	—	—	—
At 31 December 2007	774,371	15,148,517	18,798	1,768,959	350,384	8,221,011	26,282,040	(491,938)	25,790,102
Net exchange differences on translation of foreign operations	—	—	—	1,741,978	—	—	1,741,978	29,777	1,771,755
Share of associates' reserve movements	—	—	—	13,836	—	—	13,836	—	13,836
Share of jointly controlled entities' reserve movements	—	—	—	301,572	—	—	301,572	—	301,572
Change in fair value of investments in syndicated property project companies	—	—	—	5,627	—	—	5,627	—	5,627
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	(249)	(249)
Net income recognised directly in equity	—	—	—	2,063,013	—	—	2,063,013	29,528	2,092,541
Profit for the period	—	—	—	—	—	2,305,220	2,305,220	19,873	2,325,093
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	—	(500)	(500)
Release of reserve upon realisation of assets	—	—	—	3,149	—	—	3,149	—	3,149
Total recognised income and expense for the period	—	—	—	2,066,162	—	2,305,220	4,371,382	48,901	4,420,283
2007 final dividend paid	—	—	—	—	—	(543,799)	(543,799)	—	(543,799)
Issue of shares upon exercise of share options	588	7,066	—	(1,041)	—	—	6,613	—	6,613
Share issue expenses — share options	—	(35)	—	—	—	—	(35)	—	(35)
Issue of shares upon exercise of warrants	2,037	252,663	—	—	—	—	254,700	—	254,700
Share issue expenses — warrants	—	(11)	—	—	—	—	(11)	—	(11)
Recognition of share-based payments	—	—	—	362	—	—	362	—	362
Capital contributions from equity participants	—	—	—	—	—	—	—	16,887	16,887
Transfer to PRC statutory reserve	—	—	—	—	7,670	(7,670)	—	—	—
At 30 June 2008	776,996	15,408,200	18,798	3,834,442	358,054	9,974,762	30,371,252	(426,150)	29,945,102



NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2008.

HK(IFRIC) - Int 12 Service Concession Arrangement

HK(IFRIC) - Int 14 HKAS 19 — The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2008

2. Potential impact on new or revised standards, amendment and interpretations

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards or interpretations. The directors of the Company so far concluded that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 1 and HKAS 32 (Amendment)	Puttable Financial Instruments and Obligations arising on Liquidation ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations — Comprehensive revision on applying the Acquisition Method ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2008

3. Turnover and Contribution

Turnover represents proceeds from sales of properties, property rentals, revenue from infrastructure project investments, real estate agency and management service fees and other operations.

Segment information about turnover and results are listed below:

Business Segments

Six months ended 30 June 2008

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Infrastructure <i>HK\$'000</i>	Other Operations <i>HK\$'000</i>	Intragroup eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER						
External	10,230,318	96,791	—	392,654	—	10,719,763
Inter-segment	—	1,011	—	19,945	(20,956)	—
Total turnover	10,230,318	97,802	—	412,599	(20,956)	10,719,763
RESULTS						
Segment results	4,330,562	89,255	(143)	8,840	(13,981)	4,414,533
Interest and other income						81,485
Unallocated corporate expenses						(48,985)
						4,447,033
Share of profits (losses) of						
Associates	(4,384)	—	—	—	—	(4,384)
Jointly controlled entities	24,508	—	40,155	—	—	64,663
Finance costs						(262,694)
Profit before tax						4,244,618
Income tax expense						(1,919,525)
Profit for the period						2,325,093



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2008

3. Turnover and Contribution (continued)

Six months ended 30 June 2007

	Property development HK\$'000	Property investment HK\$'000	Infrastructure HK\$'000	Other Operations HK\$'000	Intragroup eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External	4,203,879	59,060	11,097	485,619	—	4,759,655
Inter-segment	—	839	—	12,750	(13,589)	—
Total turnover	4,203,879	59,899	11,097	498,369	(13,589)	4,759,655
RESULTS						
Segment results	1,528,504	293,614	9,350	130,601	(42,246)	1,919,823
Interest and other income						155,905
Unallocated corporate expenses						(69,697)
						2,006,031
Share of profits (losses) of						
Associates	(9,644)	—	—	—	—	(9,644)
Jointly controlled entities	155,968	—	33,064	—	—	189,032
Finance costs						(267,054)
Profit before tax						1,918,365
Income tax expense						(568,292)
Profit for the period						1,350,073



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2008

4. Operating profit

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Operating profit has been arrived at after charging (crediting):		
Depreciation	39,748	76,751
Interest income	(52,060)	(65,209)

5. Income Tax Expenses

	2008 HK\$'000	2007 HK\$'000
Current tax:		
Hong Kong Profits Tax	23,347	(1,124)
Macau income tax	26,950	—
PRC Enterprise income tax	818,977	299,889
PRC Land appreciation tax ("LAT")	909,300	223,628
PRC withholding tax	135,854	—
	1,914,428	522,393
Under(over) provision in prior years:		
Hong Kong Profits Tax	—	—
PRC Enterprise income tax	(6,190)	(666)
PRC Land appreciation tax	8,518	—
	2,328	(666)
Deferred tax		
Current year	17,507	68,306
Attributable to a change in tax rate	(14,738)	(21,741)
	2,769	46,565
Total	1,919,525	568,292



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2008

5. Income Tax Expenses (continued)

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

Macau Income Tax is calculated at the prevailing Macau tax rate on the estimated assessable profits for the period.

PRC income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for the period.

6. Dividends

The Board declared the payment of an interim dividend for 2008 of HK6 cents per share (2007: HK5 cents per share).

7. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity shareholders of the Company of HK\$2,305,220,000 (2007: HK\$1,365,418,000) and on the weighted average number of 7,749,477,000 (2007: 7,105,296,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share is based on the profit for the period attributable to equity shareholders of the Company of HK\$2,305,220,000 (2007: HK\$1,365,418,000) and on the weighted average number of 7,800,439,000 (2007: 7,278,886,000) ordinary shares in issue and issuable after adjusting for the weighted average number of dilutive potential ordinary shares in respect of share options and bonus warrants granted of 18,435,000 (2007: 37,545,000) and 32,527,000 (2007: 136,045,000) ordinary shares respectively on the assumption that all share options and bonus warrants were exercised during the period.

8. Reclassification of Comparative Figures

Among the comparative figures stated in the consolidated interim financial information, land appreciation tax expense of HK\$223,628,000 which was previously included in cost of sales for the six months ended 30 June 2007 was reclassified as income tax expense in the consolidated income statement.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2008

9. Trade and Other Payables

The following is an analysis of trade and other payables at the balance sheet date:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Payables, aged		
0–30 days	3,021,038	3,991,672
31–90 days	165,996	139,900
Over 90 days	2,559,506	2,455,890
Retentions payable	811,414	614,425
	6,557,955	7,201,887

Of the retention payable, an amount of HK\$512 million (31 December 2007: HK\$254 million) is due beyond twelve months.

10. Contingent Liabilities

At 30 June 2008, guarantees given by the Group in respect of credit facilities granted to associates were HK\$7,000,000 (31 December 2007: HK\$7,000,000). The Group provided repurchase guarantee for the repayment of the mortgage bank loans granted to purchasers of the Group's properties amounted to HK\$6,965,000,000 (31 December 2007: HK\$5,363,000,000). Outstanding counter indemnities for surety bonds issued in respect of property management contracts amounted to HK\$80,000,000 (31 December 2007: HK\$63,000,000). In addition, the Group provided payment guarantee amounted to HK\$71,000,000 (31 December 2007: HK\$nil) to contractors in respect of property development projects. The Company also provided guarantee amounted to HK\$2,328,000,000 (31 December 2007: HK\$2,326,000,000) in respect of the guaranteed notes issued by a subsidiary of the Company.

11. Pledge of Assets

At the balance sheet date, the Group's bank deposits amounted to HK\$17,000,000 (31 December 2007: HK\$14,000,000) was secured for the mortgage loans offered by the bank to the Group's properties' buyers.



OTHERS

Interim Dividends

The Board declared the payment of an interim dividend of HK6 cents per share (2007: HK5 cents per share) to shareholders whose names appear in the register of members of the Company on 23 September 2008. The interim dividend will be payable on 3 October 2008.

Closure of Register of Members

The register of members of the Company will be closed from 22 September 2008 (Monday) to 23 September 2008 (Tuesday), both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 19 September 2008 (Friday).

Share Capital and Warrants

The Company's total issued share capital as at 30 June 2008 was 7,769,963,456 ordinary shares of HK\$0.10 each (the "Shares").

As at 30 June 2008, 231,138,551 units of Warrants were still outstanding which if exercised in full before its expiry on 27 August 2008 would result in the issue of 231,138,551 additional shares of HK\$0.10 each of the Company. Such Warrants entitled the registered holder to subscribe in cash for new shares of HK\$0.10 each of the Company at an initial subscription price of HK\$12.50 per share (subject to adjustment). Assume the outstanding warrants were exercised in full and there has been no change to the initial subscription price, the total subscription money received will amount to HK\$2,889,231,887.50.



OTHERS (CONTINUED)

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 period ended 30 June 2008:

		Number of underlying shares comprised in options				
					Cancelled/ Lapsed	
Name	Date of Grant	Outstanding at 01.01.2008	Granted during the period	Exercised during the period	during the period	Outstanding at 30.06.2008
Directors						
Mr. Kong Qingping	18.06.2004 (vi)	1,344,000	—	—	—	1,344,000
		1,344,000	—	—	—	1,344,000
Mr. Hao Jian Min	18.06.2004 (vi)	1,152,000	—	—	—	1,152,000
		1,152,000	—	—	—	1,152,000
Mr. Xiao Xiao	18.06.2004 (vi)	800,000	—	—	—	800,000
		800,000	—	—	—	800,000
Mr. Wu Jianbin	18.06.2004 (vi)	1,152,000	—	—	—	1,152,000
		1,152,000	—	—	—	1,152,000



OTHERS (CONTINUED)

Information on Share Options of the Company (continued)

(1) Movement of share options during the period ended 30 June 2008: (continued)

Name	Date of Grant	Number of underlying shares comprised in options				Outstanding at 30.06.2008
		Outstanding at 01.01.2008	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Mr. Chen Bin	18.06.2004 (vi)	640,000	—	—	—	640,000
		640,000	—	—	—	640,000
Mr. Zhu Yijian	18.06.2004 (vi)	520,000	—	—	—	520,000
		520,000	—	—	—	520,000
Mr. Luo Liang	18.06.2004 (vi)	256,000	—	—	—	256,000
		256,000	—	—	—	256,000
Sub-Total		5,864,000	—	—	—	5,864,000
Aggregate of other employees*	17.07.1997 (i)	—	—	—	—	—
	14.02.1998 (ii)	1,370,000	—	(450,000)	(920,000)	—
	30.09.1998 (iii)	—	—	—	—	—
	04.01.2000 (iv)	20,000	—	(20,000)	—	—
	24.10.2001 (v)	—	—	—	—	—
	18.06.2004 (vi)	16,516,000	—	(5,412,000)	—	11,104,000
	Sub-Total	17,906,000	—	(5,882,000)	(920,000)	11,104,000
Grand Total		23,770,000	—	(5,882,000)	(920,000)	16,968,000

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



OTHERS (CONTINUED)

Information on Share Options of the Company (continued)

- (2) At 30 June 2008, the options granted to subscribe for 16,968,000 Shares remained outstanding, representing approximately 0.22% of the issued share capital of the Company at that date. 920,000 options to subscribe for Shares have been cancelled during the period ended 30 June 2008.

As at the date of this interim report, 12,512,000 Shares were available for issue under the Share Option Scheme, representing approximately 0.16% of the issued share capital of the Company at that date.

- (3) During the period ended 30 June 2008, options to subscribe for a total of 5,882,000 Shares (including options exercised by the Directors) of the Company were exercised, particulars as follows:

Date of Exercise	17.07.1997 (i)	14.02.1998 (ii)	30.09.1998 (iii)	04.01.2000 (iv)	24.10.2001 (v)	18.06.2004 (vi)	Total	Weighted average closing price immediately before the exercise (HK\$)
21.01.2008	—	300,000	—	—	—	1,152,000	1,452,000	14.82
25.01.2008	—	150,000	—	—	—	—	150,000	14.45
15.04.2008	—	—	—	—	—	2,880,000	2,880,000	14.23
20.06.2008	—	—	—	20,000	—	1,380,000	1,400,000	14.47
Total:	—	450,000	—	20,000	—	5,412,000	5,882,000	



OTHERS (CONTINUED)

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\$)
(i)	17.07.1997	17.07.1997 – 16.07.1998	17.07.1998 – 16.07.2007	4.06
(ii)	14.02.1998	14.02.1998 – 13.02.1999	14.02.1999 – 13.02.2008	1.08
(iii)	30.09.1998	30.09.1998 – 29.09.1999	30.09.1999 – 29.09.2008	0.52
(iv)	04.01.2000	04.01.2000 – 03.01.2001	04.01.2001 – 03.01.2010	0.58
(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

* 20% can be exercised annually ("Limit") from 18.06.2005. 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 18.06.2009 to 17.06.2014.

(b) During the period 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.



OTHERS (CONTINUED)

Directors' and Chief Executive's Interests in Securities

As at 30 June 2008, 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)

Name of director	Number of shares held	Number of underlying shares comprised in		Total	% of shares in issue (Note 2)
		Options (Note 1)	Warrants		
Mr. Kong Qingping	7,156,000	1,344,000	726,333	9,226,333	0.119%
Mr. Hao Jian Min	4,546,500	1,152,000	325,291	6,023,791	0.078%
Mr. Xiao Xiao	3,149,500	800,000	216,458	4,165,958	0.054%
Mr. Wu Jianbin	3,544,000	1,152,000	—	4,696,000	0.060%
Mr. Chen Bin	688,000	640,000	26,666	1,354,666	0.017%
Mr. Zhu Yijian	866,000	520,000	30,000	1,416,000	0.018%
Mr. Luo Liang	468,750	256,000	12,228	736,978	0.009%
Mr. Wang Man Kwan, Paul	284,000	—	139,167	423,167	0.005%
Dr. Li Kwok Po, David	225,000	—	18,750	243,750	0.003%



OTHERS (CONTINUED)

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 (all being personal interest)

Name of director	Number of shares held	Number of underlying shares comprised in		Total	% of shares in issue (Note 3)
		Options	Warrants		
Mr. Kong Qingping	2,956,800	2,995,200	422,396	6,374,396	0.261%
Mr. Hao Jian Min	1,881,600	2,620,800	268,800	4,771,200	0.196%
Mr. Xiao Xiao	1,680,000	2,654,400	240,000	4,574,400	0.188%
Mr. Wu Jianbin	1,848,000	2,654,400	264,000	4,766,400	0.195%
Mr. Chen Bin	576,000	1,820,160	82,284	2,478,444	0.102%
Mr. Zhu Yijian	748,800	2,246,400	106,968	3,102,168	0.127%
Mr. Luo Liang	576,000	1,996,800	82,284	2,655,084	0.109%
Mr. Wang Man Kwan, Paul	272,000	998,400	38,856	1,309,256	0.054%
Dr. Li Kwok Po, David	53,332	—	7,616	60,948	0.002%

Notes:

- 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.
- The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2008 (i.e. 7,769,963,456 shares).
- The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 30 June 2008 (i.e. 2,438,357,304 shares).

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 30 June 2008, 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.



OTHERS (CONTINUED)

Substantial Shareholders' Interests in Securities

At 30 June 2008, 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)	(Long Position)	(Short Position)	
China Overseas Holdings Limited ("COHL") (Note 2)	4,044,768,182	245,197,740	52.06%	3.16%	Beneficial owner, Interest of controlled corporation
China State Construction & Engineering Corporation Limited ("CSC&EC") (Note 3)	4,044,768,182	245,197,740	52.06%	3.16%	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") (Note 3)	4,044,768,182	245,197,740	52.06%	3.16%	Interest of controlled corporation

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2008 (i.e. 7,769,963,456 shares).
2. Amongst the total number of 4,044,768,182 Shares held by COHL, 3,689,070,828 were held as beneficial owner while the balance of 355,697,354 was interests of controlled corporations.
3. COHL is a direct wholly owned subsidiary of CSC&EC, which is a 94% owned subsidiary of CSCEC, thus CSC&EC and CSCEC are deemed by the SFO to be interested in 4,044,768,182 Shares owned by COHL.

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 30 June 2008.



OTHERS (CONTINUED)

Model Code for Securities Transactions by Directors

The Company has adopted a Code of Conduct on Directors' Securities Transactions 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 during the relevant accounting period.

Corporate Governance

The Company has complied with all the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2008, except for the following deviations.

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 Articles of Association of the Company ("Articles") provides that 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. The Articles further provides that 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.

Though the independent non-executive directors of the Company have not been appointed for a specific term, they are subject to retirement and re-election in accordance with the Articles.



OTHERS (CONTINUED)

Corporate Governance (continued)

To comply with Code Provision A.4.1 and A.4.2, an internal mechanism has been adopted by the Company whereby (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 or Managing Director), who is not required to retire by rotation at the AGM in the third year since his appointment or last election, will be reminded to retire from office voluntarily.

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

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

Review of Interim Report by Audit Committee

The Audit Committee of the Board of Directors has reviewed the Company's interim results for the year of 2008, and discussed with the Company's management regarding auditing, internal control and other important matters.

Appreciation

At last, on behalf of the Board, I would like to take this opportunity to express my gratitude to all staff for their dedication and hard work and the community for their enthusiastic support.

By order of the Board

Kong Qingping
Chairman

Hong Kong, 19 August 2008



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This interim report is printed on environmentally friendly,
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