



中國海外發展有限公司

CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code: 688

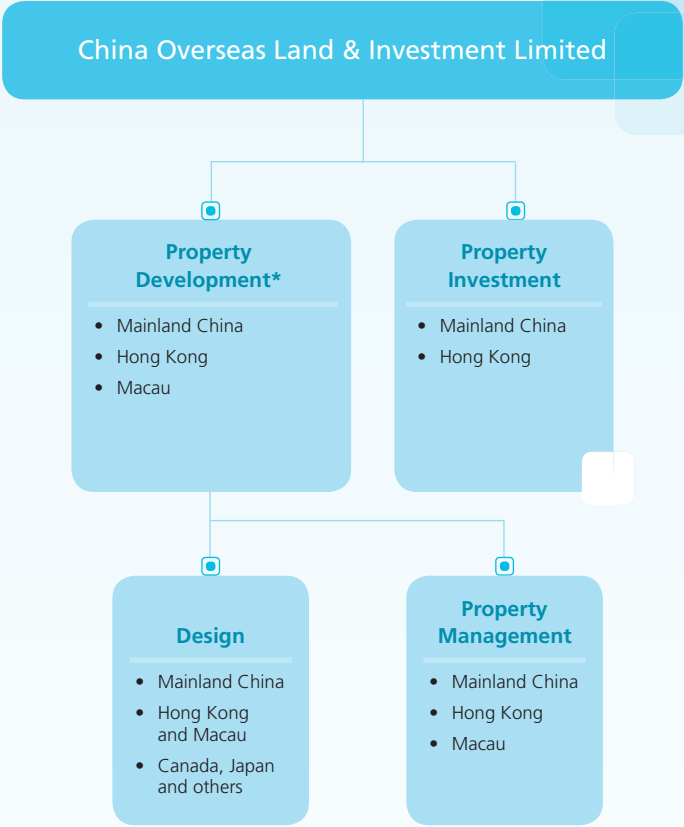


2009 Interim Report



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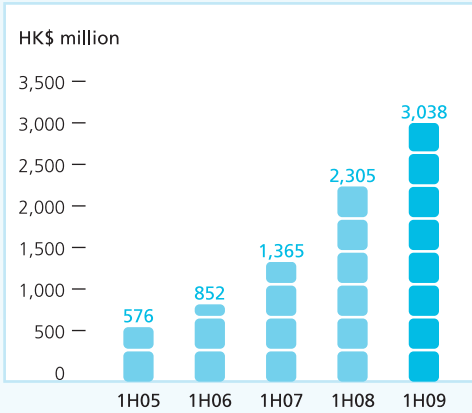


* Property development in 20 major cities in mainland China, Hong Kong and Macau includes Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hangzhou, Zhuhai, Tianjin, Dalian, Shenyang, Qingdao, Jinan, Hong Kong and Macau.

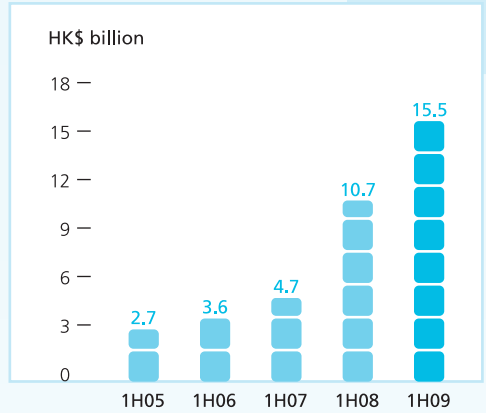
Financial Highlights



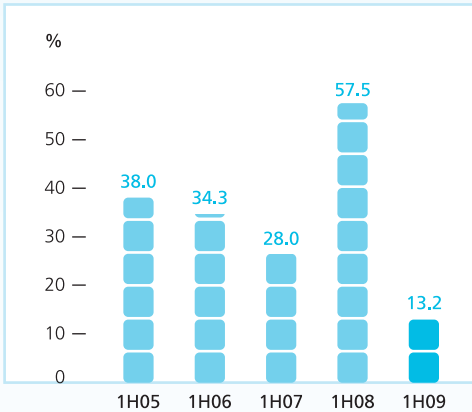
Growth in Net Profit



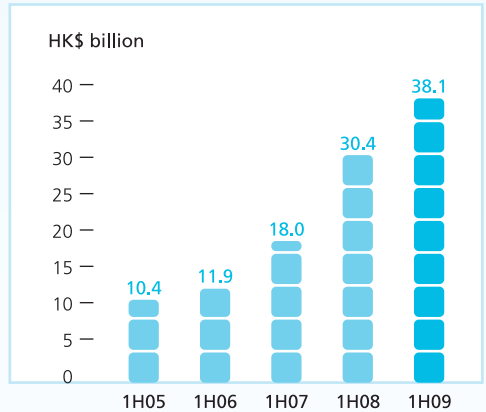
Growth in Turnover



Change in Net Gearing



Growth in Shareholders' Fund



Board of Directors, Honourable Chairman and Committees

Chairman

Kong Qingping

Honourable Chairman

Sun Wen Jie[#]

Executive Directors

(see notes below)

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

(see notes below)

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

(see notes below)

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

(see notes below)

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

Notes:

The following changes have been effected from the conclusion of the Board Meeting of the Company held on 17 August 2009 and the information provided above has incorporated such change:

- (1) Mr. Wu Jianbin be re-designated as Non-executive Director due to his resignation as Financial Controller of the Company and was elected Non-executive Vice Chairman of the Company;
- (2) Mr. Zhu Yijian resigned as Executive Director and Member of the Nomination Committee of the Company;
- (3) Mr. Wang Man Kwan, Paul resigned as Executive Director and Qualified Accountant of the Company;
- (4) Mr. Dong Daping be appointed as Executive Director and Member of the Nomination Committee of the Company;
- (5) Mr. Nip Yun Wing be appointed as Executive Director, Financial Controller of the Company and alternate authorized representative to Mr. Kong Qingping; and
- (6) Mr. Lin Xiaofeng be appointed as Executive Director of the Company.

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

For any enquiries, please contact:
Mr. Michael Jiang, Corporate Communications
Department
Telephone : (852) 2823 7978
Facsimile : (852) 2865 5939
E-mail : jiang_yongjin@cohl.com

Public Relations

For any enquiries, please contact:
Ms. Doris Chung, Corporate Communications
Department
Telephone : (852) 2823 7333
Facsimile : (852) 2865 5939
E-mail : doris_chung@cohl.com

Financial Calendar for 2009

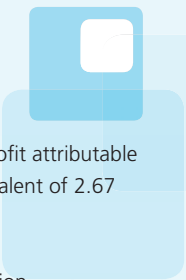
Interim results : 17 August 2009
announcement
Share register closed : 17 September 2009 to
18 September 2009
(both days inclusive)
Interim dividend : 28 September 2009
payable

Business Review

Affected by the global financial crisis, the world economy started off under unfavorable conditions in the first half of year 2009. The G-7 industrialized countries including United States, United Kingdom, Japan and also the Euro countries have almost all entered into recession. This was the first time after the World War for the world economy to record a negative growth. With leading governments and central banks implemented various stimulus measures and reduced interest rates to unprecedented low levels, the world financial markets have seen to stabilize since the second-quarter of the year. Global equities markets have strongly rebounded and prices of major commodities such as oil, gold and nonferrous metals also have increased sharply.

The Chinese government continued to adopt active fiscal policies and moderately loose monetary policy to promote stable and fairly fast economic growth. Economic growth in the first-quarter has slowed down to 6.1%, the lowest in the past 10 or more years. With the implementation of the 4-trillion yuan economy stimulus program, lending by banks increased exceptionally and provided the market with unusual ample liquidity. Economic growth in China has seen to pick up again since March. Triggered by the loose monetary policy, the rigid demand suppressed in 2008 was all released in the first half of the year. Favorable expectation of market resulted in eminent rise in both the quantity and price of the properties.

The Group continues to concentrate its efforts and resources on the property development business in mainland China while the property business in Hong Kong and Macau maintains a steady growth. Confronted with such complicated and ever changing economic environment, and in order to better combat the global financial crisis and to cope with uncertainties in the macro economic measures of the Chinese government, the Group is determined to react calmly and to take steps to enhance actively its overall management capability. Backing on its well established base, competitive edges and strong brand name and applying creative marketing skills, the Group succeeded in achieving record high sales both in terms of dollar value and area, thus confirming the leading status of the Group in the China real estate market.



The business performance of the Group for the first half of year 2009 was excellent. The profit attributable to shareholders increased sharply by 31.8% to a record high of HK\$3.04 billion (RMB equivalent of 2.67 billion).

For the six months ended 30 June 2009, the total turnover of the Group was HK\$15.48 billion, representing an increase of 44.4% as compared to the corresponding period last year. The turnover of the Group's property development business in mainland China was HK\$14.83 billion, accounting for 95.8% of the total turnover and representing an increase of 58.1%. The turnover of the Hong Kong and Macau property development business decreased by 73.6% to about HK\$220 million.

The operating profit of the Group was HK\$5.38 billion, an increase of 21.0% as compared to the corresponding period of last year. The operating profit of the property development business in mainland China increased by 27.2% to HK\$5.11 billion. Sales in mainland China was good and the overall sales area and selling price were satisfactory. Sales in Southern China were particularly robust. The average gross profit margin decreased from 43.7% of last year but still held steady at the high level of 37.3%; the operating profit of Hong Kong and Macau property development business increased to about HK\$110 million while a gross profit margin of 49.6% was achieved.

The property sales amount of the Group was a record high of HK\$26.27 billion and the corresponding sales area was also a record high of 2,827,000 sq.m. Sales of properties in mainland China amounted to HK\$25.64 billion, an increase of 70.8%; area sold was 2,816,000 sq.m., an increase of 93.5%. A total of 27 projects were completed for occupation in 14 cities in mainland China with a total saleable area of 1,695,000 sq.m., about 83.5% of which was sold as at end of June up to 1,416,000 sq.m., raising HK\$13.10 billion. The Group's sales of property held for sale was satisfactory with 353,300 sq.m. sold for HK\$3.90 billion, of which HK\$630 million was related to properties in Hong Kong and Macau.



Chairman's Statement *(Continued)*


The Open Offer announced in December of 2008 gained support of the shareholders and injected in aggregate about HK\$2.50 billion shareholder funds into the Company, thus strengthening the Group's financial capability and optimizing the capital structure of the Company. As at end of June, the equities attributable to the shareholders of the Company were increased to HK\$38.14 billion while the net gearing decreased from 46.8% (at the end of 2008) to 13.2%. As at 30 June 2009, the Group had bank loans and guaranteed notes payable amounted respectively to HK\$21.28 billion and HK\$2.33 billion; and bank balances and cash amounted to approximately HK\$18.58 billion and unutilized banking facilities amounted to approximately HK\$2.67 billion.

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

The Group places high emphasis on carrying out its corporate social responsibility. It participates actively in activities relating to public charity, educational subsidies, environment protection, optimizing customers' life and promoting staff development.

Prospect

The global economic downturn has slowed down since the second-quarter of the year. Economic growth in some countries has seen to pick up and the world economy has gradually stabilized. Based on the latest economic and financial indicators, there are signs of economic recovery in some countries; there is obvious improvement in the US economy; recession in the Euro countries and Japan has contracted; and China is among the very few countries with economic upturn. It is expected that the economy in mainland China will get better. However, confidence of the market is not solid and there is no reason to be optimistic on the core economy. The late recovery of the property market was caused mainly by the ample liquidity, the mounting fear of inflation and the release of the rigid demand suppressed in 2008. With uncertainties lingering the economic growth and large scale contraction in liquidity unlikely if the inflation is not worsen, there will not be major adverse changes in the policies towards the real estate market though some fine-tune is possible. The Group is optimistic about the medium and long term development of the mainland China property market. Nevertheless, in the short term the Group will follow closely the change in the trend of the macro economy, the regulatory environment and the inflation expectation and to assess their effects on the property market.



Backing on its team of quality professionals, nationwide strategic development, shrewd market judgment, Excellent Quality (精品) brand recognition, abundant financial resources coming from domestic and overseas financial channels, corporate governance of international standard, 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. Notwithstanding that the market could be fluctuating in the remaining part of this year, the Group is confident that the target of selling not less than 3.5 million sq.m. GFA, and completing not less than 5 million sq.m. GFA for year 2009 can be easily exceeded.

To ensure sustainable rapid growth, the Group will expand sources in getting high quality land reserve through various means and ways. The Group did not acquire any parcels of land in the first half of 2009, with the increase in investments in the real estate market, it is expected that land supply to the market will also increase in the second half of 2009. The Group will watch closely the change in the macro policies, particularly those related to the financial market, the land supply and the property industry. The Group will take measures to seek improvement on the method of land acquisition, the timing and cost of its investment, strategic layout as well as its growth model, so that the Group will master the pace and direction of its investment in the next round of its investment expansion and seize opportunities to expand its land bank at low cost. The Group has just acquired three parcels of land, adding GFA of about 2.63 million sq.m. to our land reserve; as at date of announcement, the total land bank of the Group was 25.63 million sq.m. The Group is confident that the target set at the beginning of the year on replenishing not less than 4 million sq.m. of land can be achieved.

The Company is the only Hong Kong 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. The parent company of China Overseas Holdings Limited, China State Construction Engineering Corp. Ltd., was listed on the Shanghai Stock Exchange on July 29th and it is expected that the Group will eventually be benefited from its listing. Confronted with the global financial crisis and the credit crunch, the Group places more emphasis on cash flow management. It will speed up its assets turning rater and increase its financial resources further. The Group has succeeded in overcoming the challenges brought by this financial crisis. Comparing with the Asia financial crisis back to 1997, the Group is seen as more matured and relaxed. The net gearing ratio was temporarily decreased to 13.2% at end of June. With finalization of more land acquisitions and some merger and acquisition activities, as well as speeding up of project development to meet the market demand, the gearing level will go up to a higher level.



Chairman's Statement *(Continued)*

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. The edges of the Group lead to ample opportunities and excellent performance and 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.

Overall Performance

During the period reported, the turnover of the Group's continuing operations was HK\$15.48 billion (the corresponding period in 2008: HK\$10.72 billion), representing an increase of 44.4% as compared to the corresponding period last year. The operation profit was HK\$5.38 billion (the corresponding period in 2008: HK\$4.45 billion), representing an increase of 21.0% as compared to the corresponding period last year. Profit attributable to equity shareholders amounted to HK\$3.04 billion (the corresponding period in 2008: HK\$2.31 billion), representing an increase of 31.8%. Basic earnings per share was HK37.3 cents (the corresponding period in 2008: HK29.8 cents), an increase of 25.3%, while diluted earnings per share was HK\$37.3 cents (the corresponding period in 2008: HK29.6 cents).

As at 30 June 2009, the equity attributable to equity shareholders of the Group was HK\$38.14 billion (31 December 2008: HK\$33.22 billion), an increase of 14.8%, while the book value of net asset per share was HK\$4.7 (31 December 2008: HK\$4.2), an increase of 9.2%.

Income

The operating income from property development business was HK\$15.06 billion, representing an increase of 47.2%. The operation income from the mainland China property development business increased by 58.1% to HK\$14.83 billion due to the faster growth of property sales in mainland China, making up 98.5% of the total property development turnover and 95.8% of the Group's turnover. The operating income from property development in Hong Kong and Macau was HK\$220 million, representing a decrease of 73.6% as compared to the corresponding period last year.

Rental income of properties was HK\$99.3 million, representing an increase of 2.6% as compared to the corresponding period last year.

Income from other operations amounted to about HK\$320 million, representing a decrease of 18.3% as compared to the corresponding period last year.

Profit from Operations

During the period reported, the operating profit was HK\$5.38 billion, representing an increase of 21.0% as compared to the corresponding period last year. The operating profit from PRC property development business amounted to HK\$5.11 billion, representing an increase of 27.2%. The profit from the China property development business was mainly attributable to sales from 27 projects completed during the period and property held for sales. The overall gross profit margin of property development business in mainland China in the first half of 2009 decreased from 47.9% in the first half of 2008 or 43.7% in year 2008 to 37.3%. The property development business in Hong Kong and Macau recorded a profit of HK\$110 million while the gross profit margin was 49.6%.

Investment properties continued to provide a stable source of income to the Group, contributing an operating profit of HK\$93 million.

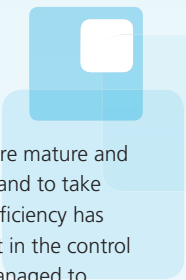
Unallocated Administrative Expenses

The unallocated administrative expenses of the Group for the first half of 2009 was HK\$89 million, representing an increase of 82.0% as compared to the corresponding period last year.

Property Development

The global financial crisis straightly and rapidly affected the world economy in the first six months of 2009. Economic growth of mainland China has slowed down significantly while Hong Kong and Macau have entered into recession. With leading governments and central banks implemented stimulus measures, the world financial markets are seen to stabilize. Global property and equities markets have also strongly rebounded since March.

The Central government has launched a 4-trillion yuan economy stimulus program and the effects are gradually seen. Bank lending is more available and has eased the market liquidity. Continuous lowering of the lending rates and tax rebates or cuts have benefited business corporations too. Triggered by the loose monetary policy, the rigid demand suppressed in 2008 was released in the first half of the year, thus resulting in eminent rise in both the amount and price of property sales.



Confronted with such complicated and uncertain economic environment, as well as the more mature and better regulated property market in the Mainland, the Group is determined to react calmly and to take steps to enhance actively its overall management capability. During the period, operation efficiency has greatly enhanced when the scale of operation has substantially increased. The improvement in the control over sales and marketing expenses and administrative expenses was obvious. The Group managed to master the change in the macro policies and property market. It did not sell much when the market was bad in the second half of 2008 and sold much more than normal when the market condition has improved since March. The Group succeeded in achieving record high sales both in terms of dollar value and area, thus confirming the leading status of the Group in China real estate.

During the period reported, property contracted sales of the Group was HK\$26.27 billion, representing an increase of 66.1% over the corresponding period in 2008. The total gross floor area sold amounted to 2,827,000 sq.m., representing an increase of 92.4% over the corresponding period of last year. Property contracted sales in mainland China amounted to HK\$25.64 billion, representing an increase of 70.8% over the same period of last year. The total gross floor area sold in mainland China was 2,816,000 sq.m., representing an increase of 93.5% over the same period of last year. Property contracted sales in Hong Kong and Macau amounted to HK\$630 million. As at end of June, property pre-sold and not yet completed for occupation amounted to HK\$21.56 billion in value and 2,531,000 sq.m. in area; the amount of pre-sale deposit received also increased by 44.2% to HK\$17.08 billion.

It is expected that the market condition will be fluctuating in the second half of the year. However, the Group is confident that our annual target of more than 3.5 million sq.m. in sales area and more than 5.0 million sq.m. in completed area can both be exceeded. Sales in July remained robust, and the aggregate sales for the first 7 months were 3,249,000 sq.m. in area and HK\$30.36 billion in amount.

Management Discussion & Analysis (Continued)

During the period reported, 27 projects in 14 mainland cities with a total gross floor area of 1,695,000 sq.m. were completed for occupation in mainland China, of which about 83.5% or 1,416,100 sq.m. had been sold. The major projects completed for occupation were:

City	Name of Project	Total	Total	Sales
		GFA	GFA Sold	Amount
		('000 sq.m.)	('000 sq.m.)	(HK\$ million)
Shenzhen	Royal Green	127.1	93.5	954
Guangzhou	Park Royale II	104.3	83.4	1,603
Foshan	Gold Coast II	186.2	148.7	1,101
Shanghai	Jade Laguna Villa II	38.5	26.6	697
Suzhou	Royal Lakefront I	154.4	107.2	1,093
Chengdu	Dragon Peninsula	116.2	65.2	590
	International Community 8B	198.5	158.9	884
	Orchid Garden A	143.4	105.6	757
Chongqing	International Community I	194.4	140.7	641
Total		1,263.0	929.8	8,320

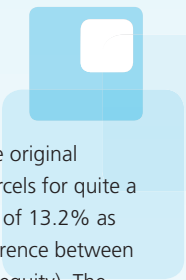
The sales of the Group's property held for sale before 2008 was HK\$3.90 billion with a total gross floor area of 353,300 sq.m. By the end of June, property held for sale was 1,039,000 sq.m. in area.

Land Bank

During the period reported, the Group did not acquire any parcels of land. On the date of the result announcement, the Group acquired three parcels of land in Jinan City with a total gross floor area of approximately 2.63 million sq.m. and at a price of about HK\$3.8 billion. The total land bank of the Group reached 25.63 million sq.m. as at date of the result announcement. The Group will continue to acquire prime land at low cost through various ways and means. It is expected that the target set at the beginning of the year to acquire not less than 4 million sq.m. of land can be met so that the total 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.

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.



In the first half of the year, sales of properties in mainland China were much better than the original forecast. Ample cash inflow plus the fact that the Group has not acquired any new land parcels for quite a long time resulted in the net gearing ratio of the Group reduced substantially to a low level of 13.2% as at end June 2009 (31 December 2008: 46.8%) (calculated on the basis of dividing the difference between bank loans and guaranteed notes payable and the bank balance and cash by shareholders' equity). The total loan amount was reduced while the cost of financing also decreased. The finance cost decreased by 9.0% to HK\$340 million as compared to the corresponding period of last year.

As at 30 June 2009, the bank loans and guaranteed notes payable of the Group amounted respectively to HK\$21.28 billion (31 December 2008: HK\$22.27 billion) and HK\$2.33 billion (31 December 2008: HK\$2.33 billion), of which 53.1% was denominated in Hong Kong dollars, 9.9% was in U.S. dollars and 37.0% was in Renminbi.

As at 30 June 2009, the Group had bank balances and cash amounted to approximately HK\$18.58 billion (of which 21.2% was denominated in Hong Kong dollars, 2.6% was denominated in U.S. dollars, 76.1% was denominated in Renminbi and 0.1% was denominated in Macau MOP) and unutilized banking facilities amounted to approximately HK\$2.67 billion. All the borrowings of the Group are unsecured and were made on floating rates.

The Open Offer announced by the Group on 10 December 2008 gained support from the Group's controlling shareholder, China Overseas Holdings Limited, who agreed to underwrite the whole Open Offer. The Open Offer was heavily oversubscribed and about HK\$2.50 billion in equity was raised in February 2009. As at end June 2009, the shareholder equity of the Group was increased to HK\$38.14 billion. The Group is strongly capitalized and highly liquid. This is favorable to the Group's next round of investment expansion.

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 also subject to detailed studies, the Group will carefully consider whether or not to enter into currency and interest rate swap arrangements.

Awards

During the period, the Company and its property development flagship in mainland China "China Overseas Property" (中海地產) won numerous prizes and awards. In June, the Company was awarded "Reputable Chinese Enterprise" certification which confirmed the long established reputation of the Company and its widespread brand name recognition. In July, the Company was awarded two "Best China Property Projects" prizes in the 2009 CNBC International Real Estate Awards (Asia Pacific sector), being the biggest winner among all China developers.

Also, “China Overseas Property” was awarded four Jian Tian Yao (詹天佑) awards — Gold prize in Excellent Real Estate. This again is a recognition of its excellence in planning and design, construction, environment protection, technology and management. China Overseas Property also won various prizes and awards in relation to corporate citizenship, integrity and consolidated capabilities.

Corporate Citizenship

The Group place high emphasis on carrying out its corporate social responsibilities. Confronted with the financial crisis, its love towards educational subsidies remains vigorous. “The China Overseas Sanxia Hope Primary School” in Chongqing was completed in April while The China Overseas Special Education Primary School” in Sichuan is expected to be completed by end of August. To accelerate the “Hope School” program, during the period the Group committed to build another “China Overseas Hope School” in Chongqing.

In the course of designing and executing property development projects, high emphasis is placed on environment protection and safety factors. As a leading property developer, the Group has major contribution towards the economic development, infrastructure building, environment enhancement and provision of job opportunities in the urban areas.

During the period, the Company was the sole winner for the “Big Prize in Corporate Citizenship for the mainland property developers” in the “Outstanding mainland property developers 2009 Parade”. This firmly proves the wide recognition of the Group’s effort towards corporate citizenship.

Human Resources

As at 30 June 2009, the Group had 10,567 employees, including 100 employees at the headquarters, 1,750 employees in property business, 8,454 employees in property management and 263 employees in infrastructure business. If divided by geographical location, 1,202 employees were based in Hong Kong and Macau and 9,365 employees were based in mainland China.

The Group firmly believes that human resources are the most valuable assets in an 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.

Consolidated Statement of Comprehensive Income

The unaudited consolidated results of the Group for the six months ended 30 June 2009 and the comparative figures for the corresponding period in 2008 are as follows:

	Notes	Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Turnover	3	15,478,979	10,719,763
Cost of sales		(9,420,274)	(5,402,470)
Direct operating expenses		(246,387)	(251,010)
Gross profit		5,812,318	5,066,283
Other income		226,218	74,620
Selling and distribution costs		(255,167)	(268,148)
Administrative expenses		(405,208)	(425,722)
Finance costs		(220,361)	(262,694)
Share of (losses) profits of			
Associates		(6,306)	(4,384)
Jointly controlled entities		(10,927)	64,663
Profit before tax	4	5,140,567	4,244,618
Income tax expense	5	(2,072,150)	(1,919,525)
Profit for the period		3,068,417	2,325,093
Other comprehensive income			
Net exchange differences arising on translation of foreign operations		(85,756)	1,771,755
Share of associates' reserve movements		—	13,836
Share of jointly controlled entities' reserve movements		1,383	301,572
Change in fair value of investments in syndicated property project companies		4,963	5,627
Release of reserve upon realization of assets		10,634	3,149
Other comprehensive income for the period (net of tax)		(68,776)	2,095,939
Total comprehensive income for the period		2,999,641	4,421,032

Consolidated Statement of Comprehensive Income (Continued)

	Notes	Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Profit for the period attributable to:			
Owners of the Company		3,038,543	2,305,220
Non-controlling interests		29,874	19,873
		3,068,417	2,325,093
Total comprehensive income attributable to:			
Owners of the Company		3,004,543	4,371,382
Non-controlling interests		(4,902)	49,650
		2,999,641	4,421,032
		HK cents	HK cents
EARNINGS PER SHARE	7		
Basic		37.3	29.8
Diluted		37.3	29.6

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Non-current Assets			
Investment properties		6,428,067	6,428,067
Property, plant and equipment		254,006	275,520
Prepaid lease payments for land		54,625	63,465
Interests in associates		156,776	164,581
Interests in jointly controlled entities		2,088,073	1,947,655
Investments in syndicated property project companies		23,619	18,654
Amounts due from associates		100,591	90,108
Amounts due from jointly controlled entities		3,996,026	4,071,170
Amounts due from syndicated property project companies		508	1,056
Other financial assets		46,581	42,443
Goodwill		109,021	109,021
Deferred tax assets		683,007	485,090
		13,940,900	13,696,830
Current Assets			
Inventories		5,347	2,999
Stock of properties		51,681,613	53,978,804
Investments held-for-trading		—	9,506
Prepaid lease payments for land		2,986	3,846
Trade and other receivables	8	2,037,373	1,044,655
Deposits and prepayments		2,782,421	2,920,074
Amount due from immediate holding company		428,000	618,249
Amount due from an associate		394,702	613,246
Amounts due from jointly controlled entities		4,556,400	3,312,030
Amounts due from non-controlling shareholders		57,012	138,647
Tax prepaid		255,176	231,407
Bank balances and cash		18,538,690	9,006,148
		80,739,720	71,879,611

Condensed Consolidated Statement of Financial Position *(Continued)*

	<i>Notes</i>	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Current Liabilities			
Trade and other payables	9	7,313,130	7,824,472
Deposits for proposed open offer		—	1,214,275
Pre-sales deposits		17,535,325	11,846,616
Rental and other deposits		497,685	434,248
Amount due to a fellow subsidiary		196,363	174,934
Amounts due to associates		212,390	181,905
Amounts due to jointly controlled entities		495,909	483,658
Tax liabilities		4,607,922	3,829,624
Bank loans — due within one year		4,402,850	3,946,026
		35,261,574	29,935,758
Net Current Assets			
		45,478,146	41,943,853
		59,419,046	55,640,683
Capital and Reserves			
Share capital		816,567	785,070
Share premium and reserves		37,318,640	32,434,712
Equity attributable to equity holders of the Company		38,135,207	33,219,782
Non-controlling interests		(469,354)	(335,394)
Total Equity		37,665,853	32,884,388
Non-current Liabilities			
Bank loans — due after one year		16,875,933	18,320,005
Guaranteed notes payable		2,330,928	2,329,431
Amounts due to non-controlling shareholders		996,588	850,983
Deferred tax liabilities		1,549,744	1,255,876
		21,753,193	22,756,295
		59,419,046	55,640,683

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	9,796,352	(6,846,818)
NET CASH USED IN INVESTING ACTIVITIES	(680,378)	(3,658,550)
NET CASH FROM FINANCING ACTIVITIES	697,526	7,891,794
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,813,500	(2,613,574)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,503,257	7,886,655
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	210,008	1,904,426
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,526,765	7,177,507
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	18,538,690	7,423,179
Less : restricted bank balances	(11,925)	(245,672)
	18,526,765	7,177,507

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital redemption reserve	Other reserves	PRC statutory reserve	Retained profits	Attributable to equity holders of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008 as originally stated	774,371	15,148,517	18,798	1,768,959	350,384	8,221,011	26,282,040	(491,938)	25,790,102
Total comprehensive income and expense for the period	—	—	—	2,066,162	—	2,305,220	4,371,382	49,650	4,421,032
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 contribution from equity participants	—	—	—	—	—	—	—	16,138	16,138
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
Total comprehensive income and expense for the period	—	—	—	(359,679)	—	2,743,417	2,383,738	42,076	2,425,814
Issue of shares upon exercise of share options	648	7,920	—	(1,246)	—	—	7,322	—	7,322
Share issue expenses — share options	—	23	—	—	—	—	23	—	23
Issue of shares upon exercise of warrants	7,426	920,771	—	—	—	—	928,197	—	928,197
Share issue expenses — warrants	—	(118)	—	—	—	—	(118)	—	(118)
Recognition of share-based payments	—	—	—	363	—	—	363	—	363
Capital contribution from equity participants	—	—	—	—	—	—	—	48,680	48,680
2008 interim dividend paid	—	—	—	—	—	(470,995)	(470,995)	—	(470,995)
Transfer to PRC statutory reserve	—	—	—	—	143,909	(143,909)	—	—	—
At 31 December 2008	785,070	16,336,796	18,798	3,473,880	501,963	12,103,275	33,219,782	(335,394)	32,884,388
Total comprehensive income and expense for the period	—	—	—	(34,000)	—	3,038,543	3,004,543	(4,902)	2,999,641
2008 final dividend paid	—	—	—	—	—	(571,531)	(571,531)	—	(571,531)
Issue of shares upon exercise of share options	94	1,144	—	(181)	—	—	1,057	—	1,057
Share issue expenses — share options	—	(1)	—	—	—	—	(1)	—	(1)
Issue of shares upon open offer	31,403	2,480,821	—	—	—	—	2,512,224	—	2,512,224
Share issue expenses — open offer	—	(30,967)	—	—	—	—	(30,967)	—	(30,967)
Recognition of share-based payments	—	—	—	100	—	—	100	—	100
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(129,058)	(129,058)
Transfer to PRC statutory reserve	—	—	—	—	114,930	(114,930)	—	—	—
At 30 June 2009	816,567	18,787,793	18,798	3,439,799	616,893	14,455,357	38,135,207	(469,354)	37,665,853

Notes to the Financial Statements

For the six months ended 30 June 2009

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

In the current period, the Group has applied the following amendments and new interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRS
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing costs
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

HKFRS 8 requires segment disclosure to be based on the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s chief operating decision maker.

The directors concluded that the adoption of these new HKFRSs had no material effects on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2009

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

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

HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ²

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

² Effective for transfers on or after 1 July 2009

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) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. 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 results and the financial position of the Group.

3. Turnover and Contribution

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

On first-time adoption of HKFRS 8 “Operating segments” and in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments.

Segment information about revenue and results are listed in the following table:

Six months ended 30 June 2009

	Property development HK\$'000	Property investment HK\$'000	Other Operations HK\$'000	Intragroup eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External	15,058,836	99,324	320,819	—	15,478,979
Inter-segment	—	1,731	32,902	(34,633)	—
Total turnover	15,058,836	101,055	353,721	(34,633)	15,478,979
RESULTS					
Segment results	5,223,031	92,719	(12,351)	(2,675)	5,300,724
Interest income					166,675
Unallocated corporate expenses					(89,238)
					5,378,161
Share of losses of Associates					(6,306)
Jointly controlled entities					(10,927)
Finance costs					(220,361)
Profit before tax					5,140,567
Income tax expense					(2,072,150)
Profit for the period					3,068,417

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2009

3. Turnover and Contribution (continued)

Six months ended 30 June 2008

	Property development HK\$'000	Property investment HK\$'000	Other Operations HK\$'000	Intragroup eliminations HK\$'000	Consolidated HK\$'000
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	4,359,987	89,255	8,697	(13,981)	4,443,958
Interest income					52,060
Unallocated corporate expenses					(48,985)
					4,447,033
Share of (losses) profits of Associates					(4,384)
Jointly controlled entities					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

4. Profit before tax

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation	15,596	39,748
Interest income	(166,675)	(52,060)

5. Income Tax Expenses

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Current tax:		
Hong Kong Profits Tax	17,870	23,347
Macau income tax	15,012	26,950
PRC Enterprise income tax	1,233,816	1,017,712
PRC Land appreciation tax	764,612	909,300
	2,031,310	1,977,309
Under(over)provision in prior years:		
Hong Kong Profits Tax	62	—
PRC Enterprise income tax	(45,791)	(6,190)
PRC Land appreciation tax	(9,382)	8,518
	(55,111)	2,328
Deferred tax:		
Current year	95,951	(45,374)
Attributable to a change in tax rate	—	(14,738)
	95,951	(60,112)
Total:	2,072,150	1,919,525

Note: Certain comparative figures have been adjusted or reclassified as a result of the changes in the current period's presentation.

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) 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 Enterprise income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for the period.



Notes to the Financial Statements *(Continued)*

For the six months ended 30 June 2009

6. Dividends

The Board declared the payment of an interim dividend for 2009 of HK7 cents per share (2008: HK6 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 holders of the Company of HK\$3,038,543,000 (2008: HK\$2,305,220,000) and on the weighted average number of 8,138,734,000 (2008: 7,749,477,000) 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 holders of the Company of HK\$3,038,543,000 (2008: HK\$2,305,220,000) and on the weighted average number of 8,148,486,000 (2008: 7,800,439,000) 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 9,752,000 (2008: 18,435,000) and nil (2008: 32,527,000) ordinary shares respectively on the assumption that all share options and bonus warrants were exercised during the period.

The weighted average number of ordinary shares used in the calculation of earnings per share for the period ended 30 June 2009 has accounted for the effect of issuance of new shares pursuant to the open offer which was completed on 3 February 2009.

8. 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. Generally, purchasers of properties are required to settle the balances within 120 days as specified in the sales and purchase agreements.

Except for the proceeds receivable from sales of properties, rental income from lease of properties and income from investments in infrastructure projects 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.

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Trade receivable, aged		
0–30 days	968,672	465,073
31–90 days	508,951	208,288
Over 90 days	316,822	239,959
	1,794,445	913,320
Other receivables	242,928	131,335
	2,037,373	1,044,655

Before accepting any 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 insignificant 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 balance sheet date. 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 balance sheet date.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2009

9. Trade and Other Payables

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Trade payables, aged		
0–30 days	3,169,215	4,076,519
31–90 days	90,761	401,001
Over 90 days	1,971,863	1,415,166
	5,231,839	5,892,686
Other payables	950,165	960,452
Retentions payable	1,131,126	971,334
	7,313,130	7,824,472

Of the retention payable, an amount of HK\$556 million (31 December 2008: HK\$505 million) is due beyond twelve months.

10. Contingent Liabilities

At 30 June 2009, the Group provided repurchase guarantee for the repayment of the mortgage bank loans granted to purchasers of the Group's properties amounted to HK\$6,528,000,000 (31 December 2008: HK\$5,217,000,000). Outstanding counter indemnities for surety bonds issued in respect of property management contracts amounted to HK\$54,000,000 (31 December 2008: HK\$54,000,000). The Company also provided guarantee amounted to HK\$2,331,000,000 (31 December 2008: HK\$2,329,000,000) 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\$32,000,000 (31 December 2008: HK\$29,000,000) and HK\$ 14,000,000 (31 December 2008: HK\$13,000,000) were secured for the mortgage loans offered by the financial institutions to the Group's properties' buyers and general banking facilities granted to the Group respectively.

Others

Interim Dividends

The Board declared the payment of an interim dividend of HK7 cents per share (2008: HK6 cents per share) to shareholders whose names appear on the Register of Members of the Company on Friday, 18 September 2009. The interim dividend will be payable on Monday, 28 September 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 17 September 2009 to Friday, 18 September 2009, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates should be lodged with the Company's registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 16 September 2009.

Share Capital

The Company's total issued share capital as at 30 June 2009 was 8,165,672,492 ordinary shares of HK\$0.10 each.

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 2009:

Name	Date of Grant	Number of underlying shares comprised in options				Outstanding at 30.06.2009
		Outstanding at 01.01.2009	Adjustment [#] / Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
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. Zhu Yijian	18.06.2004 (vi)	260,000	2,966	—	—	262,966
		260,000	2,966	—	—	262,966
Mr. Luo Liang	18.06.2004 (vi)	128,000	1,460	—	—	129,460
		128,000	1,460	—	—	129,460
	Sub-Total	3,604,000	41,119	—	—	3,645,119
Aggregate of other employees*	04.01.2000 (iv)	—	—	—	—	—
	24.10.2001 (v)	—	—	—	—	—
	18.06.2004 (vi)	6,884,000	78,538	(945,309)	—	6,017,229
	Sub-Total	6,884,000	78,538	(945,309)	—	6,017,229
	Grand Total	10,488,000	119,657	(945,309)	—	9,662,348

[#] 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 30 June 2009, the options granted to subscribe for 9,662,348 Shares remained outstanding, representing approximately 0.12% of the issued share capital of the Company at that date. No options to subscribe for Shares have been cancelled during the period ended 30 June 2009.

As at the date of this interim report, 7,934,862 Shares were available for issue under the Share Option Scheme, representing approximately 0.10% of the issued share capital of the Company at that date.

- (3) During the period ended 30 June 2009, options to subscribe for a total of 945,309 Shares of the Company were exercised, particulars as follows:

Date of Exercise	04.01.2000 (iv)	24.10.2001 (v)	18.06.2004 (vi)	Total	Weighted average closing price immediately before the exercise (HK\$)
25.06.2009	0	0	945,309	945,309	12.87
Total:	0	0	945,309	945,309	

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	—
(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 <i>(adjusted to 1.118 w.e.f. 03.02.2009)</i>	—

* 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.

Directors' and Chief Executive's Interests in Securities

As at 30 June 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 <i>(Note 1)</i>	Total	% of shares in issue <i>(Note 2)</i>
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. Zhu Yijian	1,177,052	262,966	1,440,018	0.018%
Mr. Luo Liang	620,620	129,460	750,080	0.009%
Mr. Wang Man Kwan, Paul	245,360	0	245,360	0.003%
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	2,956,800	2,995,200	5,952,000	0.243%
Mr. Hao Jian Min	2,755,200	1,747,200	4,502,400	0.184%
Mr. Xiao Xiao	1,680,000	2,654,400	4,334,400	0.177%
Mr. Wu Jianbin	2,755,200	1,747,200	4,502,400	0.184%
Mr. Chen Bin	1,198,080	1,198,080	2,396,160	0.098%
Mr. Zhu Yijian	1,597,600	1,497,600	3,095,200	0.126%
	(Note 5)			
Mr. Luo Liang	1,574,400	998,400	2,572,800	0.105%
Mr. Wang Man Kwan, Paul	232,000	665,600	897,600	0.037%
Dr. Li Kwok Po, David	53,332	0	53,332	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 2009 (i.e. 8,165,672,492 shares).
- 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. 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).
- 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 2009 (i.e. 2,448,155,856 shares).
- 100,000 shares of such 1,597,600 shares are beneficially owned by Mr. Zhu Yijian's spouse.

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 30 June 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.

Substantial Shareholders' Interests in Securities

At 30 June 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)	
China Overseas Holdings Limited ("COHL")	3,837,380,380	—	—	51.68%	3.00%	—	Beneficial owner
	382,396,928	245,197,740	—				Interest of controlled corporation
China State Construction & Engineering Corporation Limited ("CSC&ECL") (Note 2)	4,219,777,308	245,197,740	—	51.68%	3.00%	—	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") (Note 2)	4,219,777,308	245,197,740	—	51.68%	3.00%	—	Interest of controlled corporation
JP Morgan Chase & Co.	54,737,957	30,737,580	295,555,520	6.14%	0.38%	3.62%	Beneficial owner
	151,227,998	—	—				Investment manager
	295,555,520	—	—				Custodian/Approved lending agent

Substantial Shareholders' Interests in Securities (continued)

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2009 (i.e. 8,165,672,492 shares).
2. COHL is a direct wholly owned subsidiary of CSC&ECL, which in turn is a direct 94%-owned subsidiary of CSCEC, thus CSC&ECL and CSCEC are deemed by the SFO to be interested in 4,219,777,308 Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.

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 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 have 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 (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 for the six months ended 30 June 2009, 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**"). Effectively, their terms of appointment are three years or less as the Company has adopted the internal mechanism mentioned below ("**Internal Mechanism**").

Corporate Governance *(continued)*

The Articles 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.

To ensure that all directors will be subject to retirement by rotation at least once every three years or their terms of appointment are three years or less, the Internal Mechanism adopted by the Company has the following additional requirements:

- (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 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.

Changes in Directors’ Information

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, changes in Directors’ information since the date of the 2008 Annual Report up to 17 August 2009 (the date of this Interim Report) are set out as below:

Mr. Kong Qingping

- Appointed as Vice President of China State Construction & Engineering Corporation Limited
- Became a Fellow Member of the Chartered Institute of Building (UK)

Mr. Lam Kwong Siu

- Appointed as Honorary Chairman of Hong Kong Federation of Fujian Associations

Dr. Fan Hsu Lai Tai, Rita

- Received an Honorary Doctorate in Social Science from the University of Hong Kong



Others *(Continued)*

Changes in Directors

The particulars of changes in directors of the Company on 17 August 2009 are set out in the notes to the section headed "Board of Directors, Honourable Chairman and Committees" in this Interim Report.

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 2009, and discussed with the Company's management regarding auditing, internal control and other important matters.

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
Kong Qingping
Chairman

Hong Kong, 17 August 2009



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