



中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號:00081



Interim Report 2010
2010中期報告



目錄

Contents

2	董事局、名譽主席以及委員會	65	Board of Directors, Honourable Chairman and Committees
4	公司及股東資料	67	Corporate and Shareholders' Information
5	主席報告書	68	Chairman's Statement
7	管理層討論及分析	71	Management Discussion and Analysis
12	簡明綜合收益表	76	Condensed Consolidated Income Statement
14	簡明綜合全面收益表	78	Condensed Consolidated Statement of Comprehensive Income
15	簡明綜合財務狀況表	79	Condensed Consolidated Statement of Financial Position
17	簡明綜合權益變動表	81	Condensed Consolidated Statement of Changes in Equity
18	簡明綜合現金流量表	82	Condensed Consolidated Statement of Cash Flows
19	簡明財務報告附註	83	Notes to the Condensed Financial Statements
48	其他	112	Others
48	中期股息	112	Interim Dividends
48	股本	112	Share Capital
48	證券交易的標準守則	112	Model Code for Securities Transactions
49	有關購股權之資料	113	Information on Share Options
57	董事及行政總裁之證券權益	121	Directors' and Chief Executive's Interests in Securities
60	主要股東之證券權益	124	Substantial Shareholders' Interests in Securities
63	企業管治	127	Corporate Governance
64	董事資料變動	128	Changes in Directors' Information
64	購買、出售或贖回本公司上市證券	128	Purchase, Sale or Redemption of the Company's Listed Securities
64	審核委員會審閱中期報告	128	Review of Interim Report by Audit Committee

BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES



Honourable Chairman

Kong Qingping #

Chairman and Non-Executive Director

Hao Jian Min

Executive Directors

Chen Bin *Chief Executive Officer*

Yu Shangyou

Xiang Hong

Zhu Bing Kun

Non-Executive Director

Billy K Yung *Vice Chairman*

Independent Non-Executive Directors

Timpson Chung Shui Ming

Jeffrey Lam Kin Fung

Dantes Lo Yiu Ching

Authorized Representatives

Hao Jian Min

Yu Shangyou

Chen Bin *(Alternate Authorized Representative to Hao Jian Min)*

Xiang Hong *(Alternate Authorized Representative to Yu Shangyou)*

Audit Committee

Timpson Chung Shui Ming*

Jeffrey Lam Kin Fung

Dantes Lo Yiu Ching

Remuneration Committee

Hao Jian Min *

Billy K Yung

Timpson Chung Shui Ming

Jeffrey Lam Kin Fung

Dantes Lo Yiu Ching

Nomination Committee

Hao Jian Min *

Timpson Chung Shui Ming

Jeffrey Lam Kin Fung

Dantes Lo Yiu Ching

not a director of the Company

* *Committee Chairman*



BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES (continued)

Notes:

The following changes effected during the period from 1 January 2010 to 3 August 2010:

Effected on 10 February 2010:

- (1) Mr. Chen Bin be appointed as the Chief Executive Officer of the Company.
- (2) Mr. Xiang Hong be appointed as the Chief Financial Officer of the Company.
- (3) Mr. Billy K Yung resigned as the Group Chairman and Chief Executive of the Company.

Effected on 27 February 2010:

- (4) Mr. Kong Qing Ping be appointed as the Honorable Chairman of the Company.
- (5) Mr. Hao Jian Min be appointed as the Chairman and Non-Executive Director of the Company.
- (6) Mr. Chen Bin, Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Zhu Bing Kun be appointed as Executive Directors of the Company.
- (7) Mr. Billy K Yung be re-designated from Chairman of the Board and Executive Director to respectively Vice Chairman of the Board and Non-Executive Director of the Company.

Effected on 6 March 2010:

- (8) Mr. Hao Jian Min and Mr. Yu Shangyou be appointed as Authorized Representatives of the Company.
- (9) Mr. Chen Bin be appointed as the Alternate Authorized Representative to Mr. Hao Jian Min.
- (10) Mr. Xiang Hong be appointed as the Alternate Authorized Representative to Mr. Yu Shangyou.

Effected on 29 March 2010:

- (11) Madam Yung Ho Wun Ching, Mr. Leung Chun Wah and Mr. Eddie Hurip resigned as Executive Directors of the Company.

Effected on 30 March 2010:

- (12) Mr. Simon Yung Kwok Choi be removed as a Non-Executive Director of the Company.

Effected on 18 May 2010:

- (13) Mr. Peter Wong Chun On retired as an Independent Non-Executive Director of the Company and ceased to be the Chairman and Member of the Audit Committee and Member of the Remuneration Committee of the Company.
- (14) Mr. Peter Lam retired as an Independent Non-Executive Director of the Company and ceased to be the Chairman and Member of the Remuneration Committee and Member of the Audit Committee of the Company.
- (15) Mr. Lawrence Leung Man Chiu retired as an Independent Non-Executive Director of the Company and ceased to be the Member of the Audit Committee of the Company.
- (16) The Nomination Committee of the Company be set up.
- (17) Mr. Timson Chung Shui Ming be appointed as an Independent Non-Executive Director, Chairman and Member of the Audit Committee, Member of both the Nomination Committee and Remuneration Committee of the Company.
- (18) Mr. Jeffrey Lam Kin Fung be appointed as an Independent Non-Executive Director, Member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.
- (19) Mr. Dantes Lo Yiu Ching be appointed as an Independent Non-Executive Director, Member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.
- (20) Mr. Hao Jian Min be appointed as the Chairman and Member of both the Remuneration Committee and the Nomination Committee of the Company.



CORPORATE AND SHAREHOLDERS' INFORMATION

Corporate Information

Registered Office (Note)

Suite 3012, 30/F, One Pacific Place
88 Queensway, Hong Kong
Telephone : (852) 2918 5181
Facsimile : (852) 2918 5199
Website : www.cogogl.com.hk

Company Secretary

Connie Chiang Yuet Wah

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

Mallesons Stephen Jaques

Auditors

Grant Thornton
Certified Public Accountants

Principal Bankers

(In Alphabetical Order)
Bank of China Limited
China Construction Bank Corporation
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited

Shareholders' Information

Share Listing

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

Stock Code

Shares

SEHK : 00081
Bloomberg : 81:HK
Reuters : 0081.HK

Investor Relations

For any enquiries, please contact:
Mr. He Chen, Corporate Communications Department
Telephone : (852) 2862 5071
Facsimile : (852) 2529 9211
E-mail : chen_he@cohl.com

Public Relations

For any enquiries, please contact:
Ms. Doris Chung, Corporate Communications Department
Telephone : (852) 2823 7333
Facsimile : (852) 2529 9211
E-mail : doris_chung@cohl.com

Financial Calendar for 2010

Interim results announcement : 3 August 2010

Note: The effective date of the registered office, telephone and facsimile is 24 August 2010.



CHAIRMAN'S STATEMENT

Introduction

I am pleased to introduce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010. Having acquired the controlling interest of the Company during the period by China Overseas Land & Investment Ltd. ("COLI"), the Company has changed its name to China Overseas Grand Oceans Group Limited with effect from 4 June 2010.

COLI is one of the leading property development and investment companies in the PRC, with property development projects in 20 major cities in the PRC and is widely recognized for its industry track record and experience. It is a subsidiary of China State Construction Engineering Corporation, one of the largest construction conglomerates in the PRC.

With the completion of the group reorganization and restructuring on 10 February 2010, the primary focus of the Group is now on the residential and mixed use developments in emerging second and third tier cities, as well as selective, smaller scale developments in first tier and second tier cities, if opportunities arise. The primary business of the Group will continue to be real estate development and investment in Mainland China. By leveraging on COLI's real estate investment, development and project management expertise, the Group would further develop its platform in the PRC.

Results

For the six months ended 30 June 2010, the Group recorded a turnover and profit attributable to the owners of the Company of HK\$1,025.6 million and HK\$52.6 million respectively.

Prospects The Economy

The dedicated efforts of Central Government to tame inflation in the year started to bear fruit in recent months. The recently announced Purchasing Manager Index and Gross Domestic Product has dropped quarter-on-quarter, reflecting the economic growth rate has slowed down in the PRC. Despite that the Consumer Price Index for the first half year 2010 remained recording an increment of 2.6% on a year-on-year basis, taking into account the lagging factors, it is generally believed that it would be topping out very soon with inflationary pressure relieved.

In the foreseeable future, progressive development of the fundamental economies, and the gradual transformation of the industrial and commercial businesses, would be beneficial to the overall development of the general economy in the PRC.



CHAIRMAN'S STATEMENT (continued)

Prospects (continued)

Real Estate Development

Further to the adjustment of macroscopic policy of the Central Government in April this year, a series of control measures to combat property prices were launched. The transaction volume of property sales dropped by nearly 50% in the PRC with the rocketed property price contained. However, there are still uncertainties in the aftermath, depending on the magnitude of whether a tight or loose control policy is to be adopted by the Central Government in monitoring of the property market, as well as the external economic changes in global environment, especially the Euro region.

The consistency of China's macroscopic economic policies, significant recovery in the economy, together with a strong housing demands are all contributing to the rapid development of the property market in the China Mainland.

Group Strategy

The Group is cautiously optimistic in respect of the China property market in 2010, and expects that the market fundamentals will revert to a more normal and stable situation. After the acquisition of the controlling stake of the Company in cash by our parent company, China Overseas Land & Investment Ltd. (listed on the main board of The Stock Exchange of Hong Kong Limited, Stock Code: 00688) early this year, the professional manpower resources and management of the group's property business were beefed up. New marketing strategies and direction for the group's rebranding activities were in place, together with providing of high quality after-sales services and property management services.

The Group would closely follow the trend of the external economy and policy decisions to conduct comprehensive research and analysis. It would operate prudently and down to earth, safeguards its interest against risks. It would actively pursue any opportunity to perfect the development and marketing of the existing projects, as well as speeding up cash inflows. On these bases, the Group would also look for possible investment opportunities. The Group would collaborate with its parent company in project developments, operation models, sharing of market intelligences and resources so as to achieve a synergy effect. It would spare no efforts to enhance the returns to development projects and control costs effectively. These would create value for shareholders, and materialize the sustainable and healthy development of the Group's property development businesses.



CHAIRMAN'S STATEMENT (continued)

Appreciation

I would like to take this opportunity to thank my fellow directors, our staff and all our stakeholders for their continued support.

Hao Jian Min

Chairman and Non-Executive Director

Hong Kong, 3 August 2010



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Operating Results

Following major group capital reorganization and restructuring early this year, the Group has now aligned its major focus in the property development and investment in the PRC. The Group's continuing operations reported revenue of HK\$1,025.6 million and gross profit of HK\$268.1 million for the six months ended 30 June 2010. These represent a decrease of 9.3% in revenue and a decrease of 25.4% in gross profit, compared to the last corresponding period. The reduction in profit margin from 31.8% in last corresponding period to 26.1% in current period mainly reflect a change in sales mix of property development projects from different cities.

Operating profit for the six months ended 30 June 2010 was HK\$146.0 million, representing a decrease of HK\$437.9 million or 75.0% over the corresponding period last year. This was attributable to a number of factors, including: (i) lower gross profit arising from decreased sales and changes in sales mix, (ii) one-off, non-cash share-based payment as staff cost of HK\$56.9 million in respect of the 10% equity interest transferred to certain ex-management staff in a Beijing residential development project under a compensation agreement as approved by the Extraordinary General Meeting on 26 May 2010, and (iii) absence of significant fair value gain on investment properties occurred last period.

Overall, profit after interest and tax for the six months ended 30 June 2010 was HK\$73.0 million. Excluding the non-controlling interests, profit attributable to equity shareholders of the Company amounted to HK\$52.6 million (six months ended 30 June 2009: profit of HK\$34.1 million).

The Group's core business as a PRC property developer is conducted via its 70% interest in China Overseas Grand Oceans Property Group Co., Ltd. (previously named as, China Ever Bright Real Estate Development Limited, hereinafter described as "COGO"), a wholly-foreign-owned enterprise incorporated in the PRC.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

During the period under review, property prices remained buoyant, probably due to the result of a moderately loose monetary policy in the PRC, aimed at stimulating the economy after the financial tsunami. A summary of the business activities of COGO's major projects during the period is as follows:

Property Sales and Development

Guangzhou Ever Bright Garden, Phase K North Section, in Haizhu District, Gaungzhou has completed for occupation. Except for 1,388 sq.m. of commercial units remained in stock, all of the other properties were sold. During the period, sales revenue recognized for Phase K North Section amounted to RMB 838.1 million in value, representing 70,478 sq.m. in area. Phase J Section under construction (now named as "Banyan Bay") was pre-sold during the period, with about 55,956 sq. m. had been contracted for sales of RMB1,111.6 million. Other than these, there are 12,632 sq.m. of unsold commercial units in other sections carried forward from last year. COGO owns 100% of the project.

Academic Sect, the commercial and residential development project located in Haidian district, Beijing. The project is fully completed. During the period, sales of 481 sq.m. in area was recognized as revenue, amounting to RMB10.8 million. Stock of commercial and residential units aggregating 47,200 sq.m remained unsold. COGO owns 100% of the project.

Glorious City (previously described as "Jinxiu City"), a residential development in Saihan District, Hohhot City recorded further sales since its successful launching last year. During the period, unit area of 37,382 sq.m was pre-sold for RMB 177.6 million. COGO owns 100% equity interest of this secondary property development project company.

Property Leasing

At period end, the Ever Bright World Center Tower 1 in Xicheng District, Beijing has approximately 17,185 sq. m. of saleable/leasable area (net of area sold/leased; with additional 400 basement parking spaces). During the period, about 566 sq. m. were rented, with total area of about 19,400 sq. m. leased out. COGO owns 100% of the project.

The scientific research office building in the Zhang Jiang High-tech Zone in Shanghai is 72% let. COGO owns 65% interest in this project.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The status of the other projects listed below has not changed materially from the descriptions given in the Group's 2009 annual report:

- The low density residential development project located in the northern suburb of Beijing
- The residential and retail shopping mall development project located in Haizhu district, Guangzhou
- The franchised primary development project in Hohhot, Inner Mongolia
- The Guilin project, and
- The Huizhou project

To ensure business sustainability, COGO maintained a land bank of approximately 2.3 million sq. m. (of which, COGO has an attributable interest in 2.1 million sq. m.) in the PRC as at 30 June 2010.

Discontinued Operations

As a result of the group restructuring in February this year, the Group has, by way of distribution in specie, discontinued its operations in electrical household appliances, property leasing (for industrial properties and commercial units located in Hong Kong, the PRC and the United States), securities trading, car rental and all other segments.

Distribution in Specie

On 10 February 2010, a wholly-owned subsidiary of the Company, Shell Electric Holdings Limited (the "Privateco"), acquired certain subsidiaries and certain assets and liabilities of the Company by issuing shares to the Company. All the shares of the Privateco then held by the Company have been distributed in specie to the shareholders of the Company. The net asset value per Privateco Share is approximately HK\$3.75 calculated based on the 523,484,562 Privateco Shares in issue as at 10 February 2010 and the consolidated net asset value of the Privateco Group of approximately HK\$1,965 million as at 10 February 2010.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Resources and Liquidity

As a Hong Kong incorporated and listed entity, the Company has access to funds from both investors and financial institutions. During the period under review, proceeds from new issues of shares under the Subscription Agreement dated 9 September 2009 and placing of new shares amounted to HK\$660 million. A sum of HK\$522 million was distributed in specie to the shareholders while another sum of HK\$798 million was repaid in accordance with term of the Subscription Agreement to a private group established as a result of the group restructuring.

As of 30 June 2010, net working capital amounted to HK\$2,366.6 million (31 December 2009: HK\$2,701.1 million). Cash and cash equivalents were 41.1% lower at HK\$502.1 million compared with the last financial year end (HK\$853.1 million). In PRC, long term bank borrowings of RMB1,435 million (of which, 45% is repayable within one year), were secured by certain property assets located in the Mainland China, with interest charged at floating rates at weighted average interest rate of 5.681% per annum. Interest cover of the Group for the period ended 30 June 2010, calculated as operating profit divided by total interest expenses net of those capitalized and interest income, stood at 21.5 times.

Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimizing its financial risks. The Group would maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored.

Foreign Exchange Exposure

The Group's borrowings were mainly denominated in Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. While the Group would closely monitor the volatility of the Renminbi exchange rate, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 30 June 2010, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and cash equivalents to total equity of the Company of 52.0% (31 December 2009: 41.8%). The increase in the ratio mainly reflects the result of the reorganization and restructuring of the Group in February 2010, which had stripped out the less geared distributed business.

Capital Commitments and Guarantee

During the period under review, the Group had capital commitments totaling HK\$2,433.1 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$1,206 million, (equivalent to RMB1,052 million) mainly for facilitating end-user mortgages in connection with its PRC property sales.

Capital Expenditure and Charges on Assets

The Group had capital expenditures totaling HK\$1 million approximately during the period under review. Based on certain real estate in Mainland China with an aggregate carrying value of HK\$2,985 million, the Group secured certain mortgage loans totaling HK\$1,644.9 million (equivalent to RMB1,435 million) from certain PRC banks for property development projects during the period under review.

Employees

As at 30 June 2010, the Group has approximately 166 employees, a significant reduction of 3,284 headcounts (most of them had been continuously employed by Privateco as a result of the group restructuring), comparing with last year end. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.



CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2010 and the comparative figures for the corresponding period in 2009 are as follows:

	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Restated)
Continuing operations			
Revenue	4	1,025,567	1,130,156
Cost of sales and services provided		(757,448)	(770,948)
Gross profit		268,119	359,208
Other income	6	3,174	3,158
Distribution and selling expenses		(13,178)	(26,910)
Administrative expenses		(120,069)	(57,602)
Other operating expenses		(3,625)	(3,625)
Other gains			
Fair value gain on investment properties		11,326	292,385
Gain on disposal of a subsidiary		–	17,286
Others		300	28
Operating profit		146,047	583,928
Finance costs	7	(9,327)	(20,821)
Share of results of jointly controlled entities		(218)	(2,436)
Profit before income tax	8	136,502	560,671
Income tax expense	9	(81,470)	(298,674)
Profit for the period from continuing operations		55,032	261,997
Discontinued operations			
Profit/(Loss) for the period from discontinued operations	10	17,926	(154,926)
Profit for the period		72,958	107,071



CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000 (Restated)
Profit for the period attributable to:			
	Owners of the Company	52,596	34,053
	Non-controlling interests	20,362	73,018
		72,958	107,071
		HK Cents	HK Cents
Earnings/(Loss) per share		12	
Basic			
	– From continuing and discontinued operations	7.9	6.5
	– From continuing operations	5.2	36.0
	– From discontinued operations	2.7	(29.5)
Diluted			
	– From continuing and discontinued operations	7.7	5.0
	– From continuing operations	5.0	34.5
	– From discontinued operations	2.7	(29.5)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit for the period	72,958	107,071
Other comprehensive income		
Exchange difference arising from translation of overseas operations		
– subsidiaries	11,228	938
– associates and jointly controlled entities	2,151	1,965
	13,379	2,903
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	(36,802)	(60,321)
Income tax	14,345	19,762
	(22,457)	(40,559)
Other comprehensive income for the period, net of tax	(9,078)	(37,656)
Total comprehensive income for the period	63,880	69,415
Total comprehensive income attributable to:		
Owners of the Company	47,915	7,929
Non-controlling interests	15,965	61,486
	63,880	69,415

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	Notes		
Non-current assets			
Investment properties		728,013	1,244,869
Property, plant and equipment	13	41,971	212,284
Prepaid lease rental on land		3,407	20,305
Goodwill		85,330	84,991
Other intangible assets		41,110	236,570
Interests in associates		–	459,795
Interests in jointly controlled entities		221,471	223,219
Available-for-sale financial assets		–	3,300
Loans receivable		–	106,597
Deferred tax assets		–	2,098
		1,121,302	2,594,028
Current assets			
Inventories of properties		5,878,409	6,416,537
Other inventories		884	100,851
Trade and other receivables, prepayments and deposits	14	683,398	715,487
Prepaid lease rental on land		83	527
Loans receivable		–	4,013
Amount due from an associate		–	2,340
Amounts due from jointly controlled entities		118,169	119,077
Amount due from an investee		–	8,411
Amounts due from minority shareholders		4,241	4,202
Investments held for trading		–	28,499
Tax prepaid		9,988	8,631
Restricted cash and deposits		299,011	137,837
Cash and cash equivalents		502,108	853,072
		7,496,291	8,399,484

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)



	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current liabilities			
Trade and other payables	15	1,892,874	2,688,665
Sales deposits received		1,698,299	1,347,027
Amount due to a holding company		1,562	–
Amount due to an associate		–	96
Amount due to a jointly controlled entity		229	227
Amount due to a minority shareholder		69,777	82,385
Amount due to a related party		–	291
Consideration payable on acquisition of a subsidiary		63,940	74,082
Taxation liabilities		661,381	745,109
Bank borrowings	16	741,630	760,502
		5,129,692	5,698,384
Net current assets		2,366,599	2,701,100
Total assets less current liabilities		3,487,901	5,295,128
Non-current liabilities			
Bank borrowings	16	903,253	1,483,718
Loan from a minority shareholder		–	3,599
Other liabilities		–	12,015
Deferred tax liabilities		388,392	464,601
		1,291,645	1,963,933
Net assets		2,196,256	3,331,195
Capital and reserves			
Share capital	17	7,675	261,742
Reserves		1,669,653	2,609,901
Equity attributable to owners of the Company		1,677,328	2,871,643
Non-controlling interests		518,928	459,552
Total equity		2,196,256	3,331,195

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share-based payment reserve of subsidiaries [#] HK\$'000	Translation reserve HK\$'000	Assets revaluation reserve HK\$'000	Statutory reserve HK\$'000	Distribution reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2009	262,742	640,099	43,822	41,682	244,419	130,213	40,134	-	-	1,700,902	3,104,013	526,554	3,630,567
Net profit for the period	-	-	-	-	-	-	-	-	-	34,053	34,053	73,018	107,071
Other comprehensive income	-	-	-	-	3,669	(29,793)	-	-	-	-	(26,124)	(11,532)	(37,656)
Total comprehensive income for the period	-	-	-	-	3,669	(29,793)	-	-	-	34,053	7,929	61,486	69,415
Recognition of share-based payments	-	-	-	19,534	-	-	-	-	-	-	19,534	8,372	27,906
Shares repurchased and cancelled (note 17(a))	(1,000)	-	1,000	-	-	-	-	-	-	(4,222)	(4,222)	-	(4,222)
Dividend paid	-	-	-	-	-	-	-	-	-	(15,705)	(15,705)	-	(15,705)
Transactions with owners	(1,000)	-	1,000	19,534	-	-	-	-	-	(19,927)	(393)	8,372	7,979
At 30 June 2009 (Unaudited)	261,742	640,099	44,822	61,216	248,088	100,420	40,134	-	-	1,715,028	3,111,549	596,412	3,707,961
At 1 January 2010	261,742	640,099	44,822	143,120	255,484	95,450	64,130	-	-	1,366,796	2,871,643	459,552	3,331,195
Net profit for the period	-	-	-	-	-	-	-	-	-	52,596	52,596	20,362	72,958
Other comprehensive income	-	-	-	-	11,002	(15,683)	-	-	-	-	(4,681)	(4,397)	(9,078)
Total comprehensive income for the period	-	-	-	-	11,002	(15,683)	-	-	-	52,596	47,915	15,965	63,880
Capital Reorganization (note 17(b))	(256,507)	(640,099)	-	-	-	-	-	896,606	-	-	-	-	-
Recognition of share-based payments	-	-	-	51,310	-	-	-	-	-	-	51,310	21,990	73,300
Distribution in Specie (note 11)	-	-	-	-	(156,679)	(1,645)	(6,791)	(896,606)	-	(891,186)	(1,952,907)	(12,079)	(1,964,986)
Subscription of new shares (note 17(d))	1,570	453,861	-	-	-	-	-	-	-	-	455,431	-	455,431
Placing of new shares (note 17(e))	410	204,590	-	-	-	-	-	-	-	-	205,000	-	205,000
Issue of new shares and cancellation of management options (note 17(f))	460	33,378	-	(154,583)	-	-	-	154,345	-	-	33,600	-	33,600
Share issue expenses (note 17(d) to (f))	-	(9,188)	-	-	-	-	-	-	-	-	(9,188)	-	(9,188)
Deemed disposal of interests in a subsidiary (note 18)	-	-	-	(39,847)	(4,852)	-	-	-	-	19,223	(25,476)	33,500	8,024
Transactions with owners	(254,067)	42,542	-	(143,120)	(161,531)	(1,645)	(6,791)	-	154,345	(871,963)	(1,242,230)	43,411	(1,198,819)
At 30 June 2010 (Unaudited)	7,675	682,641	44,822	-	104,955	78,122	57,339	-	154,345	547,429	1,677,328	518,928	2,196,256

renamed from "share option reserve of a subsidiary" to "share-based payment reserve of subsidiaries"

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities		(442,196)	444,663
Investing activities			
Interest received		14,793	4,411
Dividend received from a jointly controlled entity		–	1,570
Settlement of consideration payable on acquisition of a subsidiary		(10,831)	(48,303)
Additions to investment properties		–	(980)
Purchase of property, plant and equipment	13	(952)	(20,192)
Proceeds on disposal of property, plant and equipment		–	561
Proceeds on disposal of a subsidiary		–	52,658
Repayment of loans receivable, net		(61)	–
Loan repayment from an associate		–	11,653
Increase in restricted cash and deposits		(161,174)	(259,778)
Other investing activities		–	(285)
Net cash used in investing activities		(158,225)	(258,685)
Financing activities			
New bank and other borrowings		229,252	717,646
Repayment of bank and other borrowings		(114,694)	(819,600)
Dividends paid		–	(15,705)
Distribution in Specie	10	(522,127)	–
Interest paid		(38,478)	(60,742)
Proceeds from deemed disposal of interests in a subsidiary	18	8,024	–
Proceeds from issue of new shares	17(d) to (f)	694,031	–
Share issue expenses	17(d) to (f)	(9,188)	–
Payment for repurchase shares		–	(4,222)
Net cash generated from/(used in) financing activities		246,820	(182,623)
Net (decrease)/increase in cash and cash equivalents		(353,601)	3,355
Cash and cash equivalents at beginning of period		853,072	873,326
Effect of foreign exchange rate change		2,637	1,682
Cash and cash equivalents at end of period		502,108	878,363



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General Information

China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Company Limited) (the “Company”) is a limited company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and principal place of business of the Company is situated at 11th Floor, Three Pacific Place, 1 Queen’s Road East, Hong Kong. The principal activities of the Company and its subsidiaries (collectively, the “Group”) mainly comprise property investment and development, property leasing and investment holding. The Group’s business activities are principally carried out in Guangzhou, Beijing, Hohhot, Inner Mongolia, Shanghai and other regions in the PRC.

As at the date of these financial statements, the Group is controlled by China Overseas Land & Investment Limited (“COLI”), a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange. The ultimate parent company of the Group is China State Construction Engineering Corporation, an entity established in the PRC.

Pursuant to the special resolution passed at the annual general meeting held on 18 May 2010 and with the approval of the Registrar of Companies in Hong Kong on 4 June 2010, the board of directors (the “Board”) announced that with effect from 4 June 2010 the name of the Company has been changed from “Shell Electric Mfg. (Holdings) Company Limited 蜆壳電器工業(集團)有限公司” to “China Overseas Grand Oceans Group Limited 中國海外宏洋集團有限公司”.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2010 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2009.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 3 August 2010.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

1. General Information (continued)

Group Reorganization and Discontinued Operations

Following the approval by the shareholders of the Company in an extraordinary general meeting on 31 December 2009, the making of order confirming the Capital Reorganization (as defined below) by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "Court") on 1 February 2010, and the completion of subscription agreement (the "Subscription Agreement") dated 9 September 2009 entered into between the Company, Mr. Billy Yung, a director of the Company, and COLI, the following transactions (the "Transactions") have been completed on 10 February 2010:

- (i) To facilitate the Distribution in Specie as mentioned in (ii) below, the share capital of the Company has been reduced by an amount of HK\$256,507,000 from 523,485,000 shares of HK\$0.5 each, totaling HK\$261,742,000, to 523,485,000 shares of HK\$0.01 each, totaling HK\$5,235,000, (the "Capital Reduction") and the amount standing to the credit of the share premium account of the Company has been cancelled (collectively, the "Capital Reorganization").
- (ii) A wholly-owned subsidiary of the Company, Shell Electric Holdings Limited (the "Privateco"), acquired certain subsidiaries and certain assets and liabilities of the Company by issuing shares to the Company. All the shares of the Privateco then held by the Company have been distributed in specie (the "Distribution in Specie") to the shareholders of the Company on the basis of one share of the Privateco for one share of the Company held (the "Group Restructuring"). The Privateco and its subsidiaries (the "Privateco Group") continue to carry on the business of manufacturing and marketing, as well as contract manufacturing, of electric fans and other electrical household appliances, property leasing, security trading and taxi rental (the "Distributed Businesses"). Part of the Distributed Businesses, mainly property leasing and trading of computer hardware and software, are conducted by associates and jointly controlled entities.
- (iii) The Company continues to be a publicly listed company with its subsidiaries concentrating on the business of property investment and development in the PRC.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

1. General Information (continued)

Group Reorganization and Discontinued Operations (continued)

- (iv) The Company issued 157,045,368 new shares at HK\$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of COLI, as per the Subscription Agreement (the "Subscription"), representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. Pursuant to the Subscription Agreement, Mr. Billy Yung has undertaken to procure his associates to accept the offer to be made by COLI subsequent to the completion of the Transactions to acquire shares of the Company to the extent that COLI will own no less than 50.1% of the issued share capital of the Company.

2. Principal Accounting Policies

The Interim Financial Statements have been prepared under the historical cost convention except for investment properties, financial instruments classified as available-for-sale and at fair value through profit or loss, and derivative financial instruments which are measured at fair values.

The accounting policies used in preparing the Interim Financial Statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2009 with the addition of certain standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") issued and became effective in the current interim period as described below.

Due to the Group Reorganization, as described in note 1, the Distributed Businesses constitute discontinued operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures were restated so as to reflect the results for the continuing operations and discontinued operations. Accordingly, results of the Distributed Businesses arising from the period from 1 January 2010 to 10 February 2010 were included in the Group during the period as discontinued operations.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

3. Adoption of New and Revised HKFRSs

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

(a) New and amended standards adopted by the Group:

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'Consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control of an entity is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. See note 18 for further details of transactions with non-controlling interests that were entered into by the Group during the six months ended 30 June 2010.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

3. Adoption of New and Revised HKFRSs (continued)

(a) New and amended standards adopted by the Group:

(continued)

HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This interpretation clarifies that a dividend payable in the form of non-cash assets should be recognised when the dividend is appropriately authorised and the dividend payable should be measured at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss. This interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This interpretation results in some consequential amendments being made to HKFRS 5, 'Non-current assets held for sale and discontinued operations' mainly to include non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners within the scope of HKFRS 5. As a result of this interpretation, the Distribution in Specie during the current period as mentioned in note 10 is accounted for following HKFRS 5. Other than this, the adoption of this interpretation does not result in any financial impact on the Group.

(b) The following new standards, new interpretations and amendments to standards and interpretations that are relevant to the Group have been issued but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted:

HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

3. Adoption of New and Revised HKFRSs (continued)

(b) The following new standards, new interpretations and amendments to standards and interpretations that are relevant to the Group have been issued but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted: (continued)

Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by HKICPA. All improvements are effective in the financial year of 2011.

The Group is in the process of assessing the impact of these new standards, amendments and interpretation on its results of operations and financial position.

4. Revenue

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the period is as follows:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Sales of properties	969,947	1,068,481	–	–	969,947	1,068,481
Sales of goods	–	–	149,339	486,703	149,339	486,703
Property management fee income	24,300	29,276	–	–	24,300	29,276
Property rental income	31,320	32,399	6,912	30,213	38,232	62,612
Taxi licence fee income	–	–	8,155	25,379	8,155	25,379
Total revenue	1,025,567	1,130,156	164,406	542,295	1,189,973	1,672,451



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

5. Segment Information

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Continuing operations

- Property investment and development – This segment constructs commercial and residential properties in the PRC for external customers.

- Property leasing – This segment leases commercial units located in the PRC to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a jointly controlled entity.

Discontinued operations

- Electrical household appliances – This segment manufactures electrical appliances including electric fans, vacuum cleaners, lighting products, fuser and laser scanner. The Group's manufacturing facilities are located primarily in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries.

- Property leasing – This segment leases industrial properties and commercial units located in Hong Kong, the PRC and the United States to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through certain associates.

- Securities trading – This segment mainly carries out trading of securities to generate gain from appreciation in the value of the securities.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

5. Segment Information (continued) Discontinued operations (continued)

- Car rental – This segment carries out taxi rental operation in the PRC and generates licence fee income.
- All other segments – Operating segments which are not reportable comprise manufacturing and trading of electric cables and trading of computer hardware and software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and jointly controlled entities. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of corporate assets, including available-for-sale financial assets, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

5. Segment Information (continued) Segment results and segment assets

Information regarding the Group's reportable segments including the reconciliations to revenue, profit/(loss) before income tax and total assets are as follows:

	Continuing operations				Discontinued operations					Sub-total HK\$'000	Consolidated HK\$'000
	Property investment and development HK\$'000	Property leasing HK\$'000	Sub-total HK\$'000	Electrical household appliances HK\$'000	Property leasing HK\$'000	Securities trading HK\$'000	Car rental HK\$'000	All other segments HK\$'000			
Six months ended 30 June 2010 (Unaudited)											
Reportable segment revenue*	969,947	55,620	1,025,567	146,482	6,912	-	8,155	2,857	164,406	1,189,973	
Reportable segment profit/(loss)	141,604	6,248	147,852	11,826	13,364	(1,612)	3,301	(306)	26,573	174,425	
Corporate income			-						16,255	16,255	
Corporate expenses			(11,350)						(10,825)	(22,175)	
Elimination ^			-						(3,870)	(3,870)	
Profit before income tax			136,502						28,133	164,635	
										Total HK\$'000	
As at 30 June 2010 (Unaudited)											
Reportable segment assets	7,514,431	886,140	8,400,571	-	-	-	-	-	-	8,400,571	
Corporate assets										217,022	
Total assets										8,617,593	
Six months ended 30 June 2009 (Unaudited)											
Reportable segment revenue*	1,097,757	32,399	1,130,156	477,599	30,213	-	25,379	9,104	542,295	1,672,451	
Reportable segment profit/(loss)	262,592	313,132	575,724	24,695	(91,493)	17,268	13,438	(16,894)	(52,986)	522,738	
Corporate income			-						27,506	27,506	
Corporate expenses			(15,053)						(32,091)	(47,144)	
Elimination ^			-						(11,919)	(11,919)	
Profit/(Loss) before income tax			560,671						(69,490)	491,181	
										Total HK\$'000	
As at 31 December 2009 (Unaudited)											
Reportable segment assets	7,613,574	937,178	8,550,752	482,590	1,036,437	57,899	247,815	156,623	1,981,364	10,532,116	
Corporate assets										461,396	
Total assets										10,993,512	

* This represents sales from external customer and there were no inter-segment sales between different business segments

^ Inter-company interest elimination



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

6. Other Income

	Continuing operations		Discontinued operations		Elimination		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest income on:								
Bank deposits	2,525	2,409	855	1,274	-	-	3,380	3,683
Loans to investees	-	-	-	785	-	-	-	785
Inter-company loans	-	-	4,029	26,592	(4,029)	(26,592)	-	-
Others, including loans receivable	-	-	11,413	753	-	-	11,413	753
Total interest income on financial assets not at fair value through profit or loss	2,525	2,409	16,297	29,404	(4,029)	(26,592)	14,793	5,221
Dividends from listed equity securities	-	-	-	102	-	-	-	102
Other rental income	-	-	119	2,327	-	-	119	2,327
Handling fee income	-	88	1,273	6,251	-	-	1,273	6,339
Sundry income	649	661	100	5,342	-	-	749	6,003
	3,174	3,158	17,789	43,426	(4,029)	(26,592)	16,934	19,992



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

7. Finance Costs

	Continuing operations		Discontinued operations		Elimination		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charges on:								
Bank loans and overdrafts	37,225	47,021	1,253	9,171	-	-	38,478	56,192
Other loans	-	-	-	47	-	-	-	47
Inter-company loans	4,029	26,592	-	-	(4,029)	(26,592)	-	-
Total interest expense on financial liabilities not at fair value through profit or loss	41,254	73,613	1,253	9,218	(4,029)	(26,592)	38,478	56,239
Less: Amount capitalised in properties under development	(31,927)	(52,792)	-	-	3,870	13,000	(28,057)	(39,792)
	9,327	20,821	1,253	9,218	(159)	(13,592)	10,421	16,447



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

8. Profit Before Income Tax

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):						
Amortisation:						
Prepaid lease rental on land	73	60	50	250	123	310
Other intangible assets #	2,208	2,199	–	–	2,208	2,199
Depreciation of property, plant and equipment	2,149	3,234	2,423	11,117	4,572	14,351
Total amortisation and depreciation	4,430	5,493	2,473	11,367	6,903	16,860
Allowance for other inventories # (Reversal of impairment loss)/	–	–	1,408	1,781	1,408	1,781
Impairment loss on financial assets:						
– Loans and receivables *	–	(1,592)	417	4,636	417	3,044
Net foreign exchange (gain)/loss **	(295)	1,218	(1,838)	468	(2,133)	1,686
Equity-settled share-based payments	73,300	27,906	–	–	73,300	27,906

included in “Cost of sales and services provided” in the condensed consolidated income statement

* included in “Other operating expenses” in the condensed consolidated income statement

** included in “Other gains – Others” in the condensed consolidated income statement



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

9. Income Tax Expense

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Income tax expenses comprise:						
Current tax for the period						
Hong Kong profits tax	-	-	1,167	2,814	1,167	2,814
Other regions of the PRC						
– Enterprise income tax (“EIT”)	58,299	100,496	3,564	6,769	61,863	107,265
– Land appreciation tax (“LAT”)	48,596	76,168	-	-	48,596	76,168
Others	-	-	140	664	140	664
	106,895	176,664	4,871	10,247	111,766	186,911
Under provision in prior year						
Hong Kong profits tax	-	-	-	78,708	-	78,708
Other regions of the PRC – EIT	99	1,264	-	2,257	99	3,521
	99	1,264	-	80,965	99	82,229
Deferred tax	(25,524)	120,746	5,336	(5,776)	(20,188)	114,970
	81,470	298,674	10,207	85,436	91,677	384,110

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2009: 16.5%) on the estimated assessable profits for the period.

EIT arising from other regions of the PRC is calculated at 10% to 25% of the estimated assessable profits (six months ended 30 June 2009: 10% to 25%).

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2009: 30% to 50%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

10. Discontinued Operations

As described in note 1, the results of the Distributed Businesses which constitute discontinued operations during the period are set out below:

	Notes	From 1 January 2010 to 10 February 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Revenue	4	164,406	542,295
Cost of sales and services provided		(130,105)	(428,174)
Gross profit		34,301	114,121
Other income	6	17,789	43,426
Distribution and selling expenses		(3,255)	(14,082)
Administrative expenses		(21,415)	(62,740)
Other operating expenses		(1,642)	(18,112)
Other gains/(losses)			
Fair value gain/(loss) on investment properties		3,780	(120,925)
Fair value (loss)/gain on investments held for trading		(1,497)	14,491
Fair value loss on derivative financial instruments		–	(1,073)
Impairment loss on owner-occupied property		–	(992)
Others		1,556	1,329
Operating profit/(loss)		29,617	(44,557)
Finance costs	7	(1,253)	(9,218)
Share of results of associates		3,312	(4,816)
Share of results of jointly controlled entities		327	1,020
Elimination [^]		(3,870)	(11,919)
Profit/(Loss) before income tax	8	28,133	(69,490)
Income tax expense	9	(10,207)	(85,436)
		17,926	(154,926)

[^] Inter-company interest elimination



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

10. Discontinued Operations (continued)

The Company distributed the equity interest in the Privateco to its shareholders and the net assets of the Distributed Businesses as at the date of distribution on 10 February 2010 were set out below:

	10 February 2010 (Unaudited) HK\$'000
Investment properties	544,890
Property, plant and equipment	167,020
Prepaid lease rental on land	17,328
Other intangible assets	194,114
Interests in associates	463,134
Interests in jointly controlled entities	3,981
Available-for-sale financial assets	3,300
Loans receivable	110,618
Other inventories	103,450
Trade and other receivables, prepayments and deposits	301,986
Amounts due from related parties	797,922
Amount due from an associate	2,340
Amount due from an investee	10,552
Investments held for trading	64,967
Tax prepaid	2,857
Cash and cash equivalents	522,127
Trade and other payables	(367,899)
Amount due to an associate	(100)
Amounts due to related parties	(28,314)
Taxation liabilities	(72,505)
Bank borrowings	(733,497)
Loan from a minority shareholder	(3,630)
Other liabilities	(12,551)
Deferred tax liabilities	(57,340)
Elimination [^]	(69,764)
Net assets distributed	1,964,986

[^] Inter-company interest elimination



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

10. Discontinued Operations (continued)

Analysis of the net cash flows from the Distributed Businesses are as follows:

	From 1 January 2010 to 10 February 2010 (Unaudited) HK\$'000	Six months ended 30 June 2009 (Unaudited) HK\$'000
Operating activities	(49,819)	(39,956)
Investing activities	13,136	1,899
Financing activities	4,250	(7,445)
Effect of foreign exchange rate change	1,010	1,984
Net cash outflow	(31,423)	(43,518)

As stipulated in the order confirming the Capital Reorganization by the Court, Privateco undertakes by a guarantee and indemnity and with effect from the date of the order that to set aside and maintain a sum of HK\$14,100,000 in two separate interest-bearing deposit accounts for the purposes of paying or satisfying any debt of claim against the Company and to set aside and maintain a sum of HK\$13,600,000 in a separate interest-bearing deposit account to cover the potential liability potentially liable by the Company. As at 30 June 2010, the deposit account with balance of HK\$13,600,000 has still been maintained.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

11. Dividends

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Distribution in Specie (note (a))	1,964,986	–
Interim dividend declared (note (b))	–	10,470
	1,964,986	10,470

Notes:

- Details of the net assets of the Privateco Group distributed by the Group in the form of a distribution in specie are set out in note 10.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010. During last period, the Board declared interim dividend of HK\$0.02 per ordinary share, totaling HK\$10,470,000.

12. Earnings/(Loss) Per Share

The calculations of basic earnings/(loss) per share from continuing and discontinued operations are based on profit/(loss) attributable to the owners of the Company as set out below and the weighted average number of ordinary shares in issue during the period of 662,682,000 (six months ended 30 June 2009: 524,066,000):

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit/(Loss) attributable to owners of the Company:		
From continuing operations	34,541	188,432
From discontinued operations	18,055	(154,379)
	52,596	34,053



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

12. Earnings/(Loss) Per Share (continued)

For the six months ended 30 June 2010, the calculation of diluted earnings per share was based on the following data:

	From continuing operations (Unaudited) HK\$'000	From discontinued operations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Earnings			
Earnings used in calculating basic earnings per share	34,541	18,055	52,596
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	(1,856)	–	(1,856)
	32,685	18,055	50,740

For the six months ended 30 June 2009, the calculation of diluted earnings/(loss) per share was based on the following data:

	From continuing operations (Unaudited) HK\$'000	From discontinued operations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Earnings/(Loss)			
Earnings/(Loss) used in calculating basic earnings/(loss) per share	188,432	(154,379)	34,053
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	(7,561)	–	(7,561)
	180,871	(154,379)	26,492



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

12. Earnings/(Loss) Per Share (continued)

For the six months ended 30 June 2010, the denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share, i.e. the weighted average number of ordinary shares in issue during the period of 662,682,000 (six months ended 30 June 2009: 524,066,000).

13. Property, Plant and Equipment

During the six months ended 30 June 2010, the Group incurred capital expenditure of approximately HK\$31,000 (six months ended 30 June 2009: HK\$95,000) in plant and machinery, approximately HK\$264,000 (six months ended 30 June 2009: HK\$19,265,000) in motor vehicles and approximately HK\$657,000 (six months ended 30 June 2009: HK\$832,000) in furniture, fixtures and office equipment.

14. Trade and Other Receivables, Prepayments and Deposits

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade receivables	15,997	226,970
Less: Impairment of trade receivables	(8,305)	(21,025)
Trade receivables, net	7,692	205,945
Other receivables	43,391	67,201
Prepayments and deposits	632,315	442,341
	683,398	715,487



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

14. Trade and Other Receivables, Prepayments and Deposits (continued)

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
30 days or below	5,836	87,779
31–60 days	336	77,146
61–90 days	296	34,099
91–180 days	467	4,352
181–360 days	53	2,065
Over 360 days	704	504
	7,692	205,945

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

Before accepting any new tenant customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer.

The Group has minimal trade receivable balances which are past due at the reporting date.

In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no credit provision required as at the end of the reporting period.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

15. Trade and Other Payables

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade payables	1,653,753	2,210,633
Temporary receipts	–	27,238
Deferred income	–	12,358
Other payables and accruals	214,939	391,253
Deposit received	24,182	47,183
	1,892,874	2,688,665

The ageing analysis of trade payables (based on invoice date) is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
30 days or below	1,137,394	1,631,386
31–60 days	67,099	29,567
61–90 days	837	13,011
91–180 days	341	23,537
181–360 days	206,836	295,484
Over 360 days	241,246	217,648
	1,653,753	2,210,633



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

16. Bank Borrowings

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Bank borrowings		
Secured (note 19)	1,644,883	1,863,069
Unsecured	–	381,151
	1,644,883	2,244,220

The movement of bank borrowings is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	2,244,220	2,211,363
Translation adjustment	19,534	2,429
New bank loans raised	229,252	1,225,274
Repayment of bank loans	(114,626)	(1,194,846)
Distribution in Specie (note 10)	(733,497)	–
Carrying amount at the end of the period/year	1,644,883	2,244,220



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

16. Bank Borrowings (continued)

The maturity profile of bank borrowings is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Bank loans		
Due within one year	741,630	760,502
Due after one year, but not exceeding two years	674,001	1,211,353
Due after two years, but not exceeding five years	189,133	232,616
Due after five years	40,119	39,749
	1,644,883	2,244,220
Less: Amounts due within one year included in current liabilities	(741,630)	(760,502)
Amounts due after one year included in non-current liabilities	903,253	1,483,718

The carrying amounts of the bank loans are denominated in the following currencies:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Hong Kong Dollar	–	462,251
RMB	1,644,883	1,516,160
US Dollar	–	265,809
	1,644,883	2,244,220



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

16. Bank Borrowings (continued)

The bank borrowings as at 30 June 2010 were arranged at floating rates of 5.18%-6.53% per annum. Among the bank borrowings as at 31 December 2009, HK\$155,565,000 were arranged at fixed annual interest rates of 0.58%-0.93% and the remaining balance of HK\$2,088,655,000 were arranged at floating rates of 1.28%-6.53% per annum.

In the opinion of the directors, the carrying amounts of the Group's and the Company's current and non-current bank borrowings approximate their fair values. The fair values of the non-current bank borrowings are calculated by discounting their expected future cash flows at market rate.

17. Share Capital

	Par value per share HK\$	Number of shares '000	Nominal value HK\$'000
Authorised			
Balance at 1 January 2009, 31 December 2009 and 1 January 2010 (Audited)	0.5	900,000	450,000
Capital Reduction (note (b))		–	(441,000)
Increase in shares (note (c))	0.01	44,100,000	441,000
Balance at 30 June 2010 (Unaudited)	0.01	45,000,000	450,000
Issued and fully paid			
Balance at 1 January 2009 (Audited)	0.5	525,485	262,742
Share repurchased and cancelled (note (a))	0.5	(2,000)	(1,000)
Balance at 31 December 2009 and 1 January 2010 (Audited)	0.5	523,485	261,742
Capital Reduction (note (b))		–	(256,507)
Subscription (note (d))	0.01	157,045	1,570
Placing of new shares (note (e))	0.01	41,000	410
Issue of new shares (note (f))	0.01	46,013	460
Balance at 30 June 2010 (Unaudited)	0.01	767,543	7,675



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

17. Share Capital (continued)

Notes:

- (a) In February 2009, the Company repurchased on the Stock Exchange a total of 2,000,000 ordinary shares of HK\$0.50 each of the Company at an aggregate consideration of HK\$4,200,000 before expenses. All of these shares had been cancelled upon being repurchased.
- (b) Following the approval of the Capital Reduction by the Court on 1 February 2010, the authorised share capital of the Company was reduced by an amount of HK\$441,000,000 from 900,000,000 shares of HK\$0.50 each, totalling HK\$450,000,000, to 900,000,000 shares of HK\$0.01 each, totalling HK\$9,000,000, on 9 February 2010. On the same date, the issued share capital of the Company was reduced by an amount of HK\$256,507,000 from 523,485,000 shares of HK\$0.50 each, totalling HK\$261,742,000, to 523,485,000 shares of HK\$0.01 each, totalling HK\$5,235,000.
- (c) Upon the Capital Reduction becoming effective, the authorised share capital of the Company is increased from HK\$9,000,000 divided into 900,000,000 shares of HK\$0.01 each to HK\$450,000,000 divided into 45,000,000,000 shares of HK\$0.01 each by the creation of an additional 44,100,000,000 new shares of HK\$0.01 each ranking *pari passu* in all respects to all the issued and unissued reduced shares.
- (d) Following the completion of the Subscription on 10 February 2010, as mentioned in note 1, the Company issued 157,045,368 new shares at HK\$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of COLI, representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. The Subscription results in the increase in share capital and share premium account of the Company by HK\$1,570,000 and HK\$453,861,000 respectively. The related share issue expenses amount to HK\$6,615,000.
- (e) On 19 May 2010, the placing agent of the Company has placed 41,000,000 new ordinary shares at HK\$5.00 each to not less than six placees who and whose ultimate beneficial owners are independent third parties and not connected persons of the Company. The net proceeds from the placing were approximately HK\$202,485,000. The related share issue expenses amount to HK\$2,515,000.
- (f) Following the approval by the shareholders of the Company in an extraordinary general meeting on 26 May 2010, the Company issued (i) 22,213,333 and (ii) 23,800,000 new ordinary shares to cancel certain management options pursuant to (i) SMC Deed and WTG Deed and (ii) PCL Agreement respectively on 3 June 2010. Details of the transactions are set out in the Company's circular date 10 May 2010. The net proceeds from the transactions were approximately HK\$33,542,000. The related share issue expenses amount to HK\$58,000.

The share capital of the Company at the end of reporting period comprises only of fully paid ordinary shares with a par value of HK\$7,675,000 (as at 31 December 2009: HK\$261,742,000). All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

18. Share-Based Payments Subsidiaries

Share-based payments of 北京華世柏利房地產開發有限公司 (“Beijing Huashiboli”)

During the period ended 30 June 2010, the Company agreed to transfer 10% registered capital of Beijing Huashiboli an indirect non-wholly owned PRC subsidiary of the Company, at the consideration of RMB6 million to certain ex-management personnel of the Group (the “Ex-EB Management”). Details of these arrangements were set out in the announcement of the Company dated 24 February 2010.

On 9 February 2010, the Company entered into a compensation arrangement with the Ex-EB Management through a proposed cooperation with the Ex-EB Management in respect of a property development project in the PRC which is conducted by Beijing Huashiboli. Under the proposed cooperation, the Ex-EB Management would obtain 10% of registered capital (the “Capital”) of Beijing Huashiboli at the consideration of RMB6 million and the effective interest in Beijing Huashiboli held by the Group would be reduced from 90% to 80%. The transfer of the Capital is accounted for as a share-based payment. The fair value of the Capital on the grant date, as determined by the Group’s management, was RMB56 million (equivalent to approximately HK\$63.8million). Thus, the amount of share-based payment recognised as staff cost in profit or loss for the period ended 30 June 2010 amounted to RMB50 million (HK\$56.9 million) with the corresponding amount being recognised in the share-based payment reserve. No liabilities were recognised for this equity-settled share-based payment transaction. During the period, the transfer was completed and net proceeds from the deemed disposal of interests in a subsidiary were HK\$8 million.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

19. Pledge of Assets

At the end of the reporting period, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Land and buildings classified under, property, plant and equipment	29,562	30,928
Investment properties	526,836	691,155
Inventories of properties	2,428,435	2,817,813
Investments held for trading	–	1,346
	2,984,833	3,541,242

As at 31 December 2009, the entire issued share capital of a subsidiary of the Group, Full Revenue Inc, has been pledged to a bank to secure the banking facilities granted to the Group. A long-term loan has been granted to the Group under the facilities and the net asset value of the subsidiary as at 31 December 2009 was approximately HK\$285 million. On 10 February 2010, the Privateco Group (include Full Revenue Inc) was distributed by the Group in the form of a Distribution in Specie. Details of the distribution are set out in note 10.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

20. Commitments

At the end of each reporting period, the Group had significant commitments as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Contracted for but not provided for in the financial statements: Property development	2,433,083	2,561,624

21. Guarantees

At the end of each reporting period, the Group had issued the following significant guarantees:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Guarantees given to: A supplier of an associate to secure the repayment of balance due by the associate to the supplier	–	13,525
Bank for mortgage loans granted to purchasers of certain subsidiaries' properties	1,205,963	919,617
	1,205,963	933,142



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

21. Guarantees (continued)

In light of the Group Restructuring as mentioned in note 1, the directors have reached agreements with two principal bankers of the Company on revising the facilities previously granted by the bankers to the Company which were available for use by the Company and certain of its subsidiaries. Under the revised facilities, the Privateco has become one of the group entities entitled to utilise the banking facilities and at the same time, it would become a guarantor of the facilities. The Company continues to be a guarantor of the facilities but it is no longer entitled to utilise the revised banking facilities. The Company, having satisfied certain conditions as set forth in the revised banking facilities, was released from providing such guarantee as at 30 June 2010.

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

22. Related Party Transactions

Key management (including directors) compensation amounted to HK\$7,303,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$18,600,000).



OTHERS

Interim Dividends

Despite the healthy financial position of the Group, the Board believes that it would be in the interests of the Company and the shareholders at this stage to retain funds for the Group's future expansion of its business. In this respect, the Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: HK2 cents per share).

Share Capital

The Company's total issued share capital as at 30 June 2010 was 767,543,263 ordinary shares of HK\$0.01 each.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in securities of the Company by the Directors. Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

On 22 September 2005, the Board has approved that the Model Code also applies to certain specified relevant employees of the Group regarding their dealings in the securities of the Company. Following the cessation of employment of such employees with the Group on/before 10 February 2010, the Model Code no longer applies to employees other than directors of the Company.



OTHERS (continued)

Information on Share Options

Information in relation to share options disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) is as follows:

(1) Share option to subscribe for the Company’s shares

At the annual general meeting of the Company held on 11 May 2005, the shareholders of the Company approved the adoption of a new share option scheme (the “**Scheme**”) for a period of 10 years commencing on the adoption date. Since 11 May 2005, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period and since adoption.

(2) Share option to subscribe for shares in subsidiaries

(a) The share option schemes of Appeon Corporation (“**Appeon**”) and Galactic Computing Corporation (“**Galactic**”), subsidiaries of the Company, became effective on 11 November 2002. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK\$1 on acceptance of the option offer. Details of those share option schemes of the subsidiaries are set out in the Company’s circular to the shareholders dated 25 October 2002.

As a result of the Distribution In Specie on 10 February 2010 (particulars as mentioned in the Circular of the Company dated 8 December 2009), Appeon and Galactic ceased to be subsidiaries of the Company. No option was exercised by the grantees of the share option schemes of Appeon and Galactic during the period up to 10 February 2010.



OTHERS (continued)

Information on Share Options (continued)

(2) Share option to subscribe for shares in subsidiaries (continued)

- (b) On 29 November 2007, Terborley Limited (“**Terborley**”), an indirect non-wholly-owned subsidiary of the Company, entered into the option deeds (the “**Option Deeds**”) with an aggregate of 49 individuals who are management of the Group (the “**Grantees**”). Pursuant to the Option Deeds, Terborley has granted to the Grantees certain options (the “**Options**”) to acquire from Terborley an aggregate of 116,000 ordinary shares (the “**Option Shares**”) of Pan China Land (Holdings) Corporation (“**Pan China Land**”), an investee of Terborley, at the exercise price specified in the Option Deeds. The Options will vest on the date on which the shares of Pan China Land are listed on the Stock Exchange (the “**Listing Date**”) and are exercisable for a period of 10 years from the Listing Date (the “**Option Period**”), as below:

Vesting schedule	Maximum percentage of Option Shares comprised in an Option which may be exercised
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%

All Options are vested and become exercisable on 10 February 2010 at the completion of the Subscription Agreement dated 9 September 2009 on 10 February 2010.

The Company has entered into various agreements on 9 February 2010, 10 February 2010 and 5 March 2010 respectively pursuant to which the 116,000 options granted will be cancelled. The consideration for such cancellation will be satisfied by way of the issue of 46,013,333 new shares of the Company to the respective grantees on payment of the exercise price of HK\$33,600,000 in total by certain Grantees (the “**Aggregate Consideration**”). Such cancellation of options and issue of new shares is subject to the approval of the Independent Shareholders as defined in the Circular of the Company dated 10 May 2010. The said approval was duly obtained at an extraordinary general meeting held on 26 May 2010. Accordingly, upon receiving the Aggregate Consideration on 3 June 2010, 46,013,333 new shares of the Company were issued to the Grantees and the aggregate of 116,000 Options were cancelled on that day.



OTHERS (continued)

Information on Share Options (continued)

(2) Share option to subscribe for shares in subsidiaries (continued)

Movements/details of the aforementioned options are as follows:

(i) Apeon

Movements in the options to subscribe for shares in Apeon for the period ended 10 February 2010 are as follow:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 10.2.2010
				As at 1.1.2010	Lapsed during the period	Granted during the period	
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	—	—	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	—	—	3,375
					27,000	—	—
Other directors of Apeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	—	—	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	—	—	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	—	—	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	—	—	563
				4,500	—	—	4,500



OTHERS (continued)

Information on Share Options (continued)

(2) Share option to subscribe for shares in subsidiaries (continued)

(i) Apeon (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 10.2.2010
				As at 1.1.2010	Lapsed during the period	Granted during the period	
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	2,688	—	—	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	—	—	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	—	—	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	—	—	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	—	—	375
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,250	—	—	1,250
26.09.2005	01.09.2007 – 10.11.2012	3.00	1,250	—	—	1,250	
26.09.2005	01.03.2008 – 10.11.2012	3.00	1,250	—	—	1,250	
26.09.2005	01.09.2008 – 10.11.2012	3.00	1,250	—	—	1,250	
26.09.2005	01.03.2009 – 10.11.2012	3.00	1,250	—	—	1,250	
26.09.2005	01.09.2009 – 10.11.2012	3.00	1,250	—	—	1,250	
				34,500	—	—	34,500



OTHERS (continued)

Information on Share Options (continued)

(2) Share option to subscribe for shares in subsidiaries (continued)

(i) Appeon (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 10.2.2010
				As at 1.1.2010	Lapsed during the period	Granted during the period	
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	—	—	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	—	—	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	—	—	2,554
					30,425	—	—
				96,425	—	—	96,425
				HK\$	HK\$	HK\$	HK\$
Weighted average exercise price				15.94	—	—	15.94



OTHERS (continued)

Information on Share Options (continued)

(2) Share option to subscribe for shares in subsidiaries (continued)

(ii) Galactic

Movements in the options to subscribe for shares in Galactic for the period ended 10 February 2010 are as follow:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2010	Lapsed during the period	Granted during the period	As at 10.2.2010
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	—	—	25,000
					200,000	—	—
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	—	—	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	10,000	—	—	10,000
	31.12.2007	01.01.2008 – 10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	372,832	—	—	372,832
31.12.2007	01.07.2010 – 10.11.2012	0.45	372,832	—	—	372,832	
31.12.2007	01.01.2011 – 10.11.2012	0.45	372,832	—	—	372,832	
31.12.2007	01.07.2011 – 10.11.2012	0.45	372,831	—	—	372,831	
				3,242,655	—	—	3,242,655



OTHERS (continued)

Information on Share Options (continued)

(2) Share option to subscribe for shares in subsidiaries (continued)

(ii) Galactic (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2010	Lapsed during the period	Granted during the period	As at 10.2.2010
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	—	—	6,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	229,294	(9,321)	—	219,973
	31.12.2007	01.07.2008 – 10.11.2012	0.45	229,287	(9,320)	—	219,967
	31.12.2007	01.01.2009 – 10.11.2012	0.45	229,294	(9,321)	—	219,973
	31.12.2007	01.07.2009 – 10.11.2012	0.45	219,967	—	—	219,967
	31.12.2007	01.01.2010 – 10.11.2012	0.45	219,973	—	—	219,973
	31.12.2007	01.07.2010 – 10.11.2012	0.45	219,970	—	—	219,970
	31.12.2007	01.01.2011 – 10.11.2012	0.45	219,972	—	—	219,972
	31.12.2007	01.07.2011 – 10.11.2012	0.45	219,970	—	—	219,970
	10.03.2009	10.03.2009 – 10.11.2012	0.45	111,851	—	—	111,851
	10.03.2009	01.07.2009 – 10.11.2012	0.45	37,283	—	—	37,283
	10.03.2009	01.01.2010 – 10.11.2012	0.45	37,283	—	—	37,283
	10.03.2009	01.07.2010 – 10.11.2012	0.45	37,283	—	—	37,283
10.03.2009	01.01.2011 – 10.11.2012	0.45	37,283	—	—	37,283	
10.03.2009	01.07.2011 – 10.11.2012	0.45	37,283	—	—	37,283	
				2,135,993	(27,962)	—	2,108,031
				5,578,648	(27,962)	—	5,550,686
				HK\$	HK\$	HK\$	HK\$
Weighted average exercise price				3.51	3.51	—	3.51



OTHERS (continued)

Information on Share Options (continued)

(2) Share option to subscribe for shares in subsidiaries (continued)

(iii) Terborley

Details of the Grantees and their entitlement to the Option Shares are as follows:

Grantee(s)	Number of option shares to which the Grantees are entitled	Approximate percentage of the total number of option shares
Mr. Billy K Yung	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group [#]	95,200	82.1%
Total	116,000	100.0%

[#] An aggregate of 5,200 Option Shares are held on trust by Mr. Billy K Yung and Mr. Eddie Hurip.



OTHERS (continued)

Directors' and Chief Executive's Interests in Securities

As at 30 June 2010, 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 of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Mr. Hao Jian Min	Beneficial owner	Personal	355,000	355,000	0.046%
Mr. Billy K Yung	Beneficial owner	Personal	7,933,333	184,468,084	24.034%
	Beneficiary of a trust (Note 2)	Other	169,319,084		
	Interest of corporation controlled by Director (Note 3)	Interest in controlled corporation	7,215,667		



OTHERS (continued)

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

(b) Long positions in shares and underlying shares of Associated Corporations (unless otherwise stated, all being personal interest and being held in the capacity of beneficial owner)

(i) China Overseas Land & Investment Limited

Name of Director	Number of shares held	Total	% of shares in issue (Note 4)
Mr. Hao Jian Min	6,253,172	6,253,172	0.077%
Mr. Chen Bin	1,371,971	1,371,971	0.017%
Mr. Yu Shangyou	1,558,090	1,558,090	0.019%
Mr. Xiang Hong	180,480	180,480	0.002%
Mr. Chung Shui Ming, Timpson	110,000	110,000	0.001%

(ii) China State Construction International Holdings Limited

Name of Director	Number of shares held	Number of Underlying shares comprised in Options (Note 5)	Total	% of shares in issue (Note 6)
Mr. Hao Jian Min	3,136,240	1,843,820	4,980,060	0.168%
Mr. Chen Bin	1,437,696	1,264,334	2,702,030	0.091%
Mr. Yu Shangyou	1,610,724 (Note 7)	351,204	1,961,928	0.066%
Mr. Xiang Hong	0	219,502	219,502	0.007%
Mr. Zhu Bing Kun	160,000	0	160,000	0.005%



OTHERS (continued)

Directors' and Chief Executive's 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 2010 (i.e. 767,543,263 shares).
- (2) These shares are held by a trust for the benefit of Mr. Billy K Yung and his family members.
- (3) These shares are held by a subsidiary of Shell Electric Holdings Limited, a corporation interested by Mr. Billy K Yung.
- (4) The percentage has been adjusted based on the total number of shares of China Overseas Land & Investment Limited in issue as at 30 June 2010 (i.e. 8,172,094,286 shares).
- (5) The exercise price for the share options is HK\$0.99 per share (before share subdivision). Immediately after the share subdivision approved on 12 June 2008, the exercise price for the share options is HK\$0.2475 per share. Immediately after the adjustment for the rights issue made on 1 September 2009, the exercise price for the share options is HK\$0.2345 per share. The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).
- (6) The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited as at 30 June 2010 (i.e. 2,959,148,986 shares).
- (7) 86,000 shares of such 1,610,724 shares are beneficially owned by Mr. Yu Shangyou's spouse.

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 2010, 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 2010, 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 of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 2)	Beneficial	99,675,364	99,675,364	12.99%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 2)	Beneficial	69,643,720	69,643,720	9.07%
UBS Trustees (BVI) Limited ("UBS Trustees")	Trustees of trusts (Note 2)	Other	169,319,084	169,319,084	22.06%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal	39,147,911 (Note 3)	43,577,351 (Note 4)	5.68%
	Interest of controlled corporation (Note 5)	Corporate	3,529,440 (Note 3)		
	Interest of spouse (Note 6)	Family	900,000		
Madam Chiu Man	Beneficial owner	Personal	900,000	43,577,351	5.68%
	Interest of spouse (Note 7)	Family	42,677,351		
Star Amuse Limited ("Star Amuse")	Beneficial owner	Beneficial	370,458,244	370,458,244	48.27%



OTHERS (continued)

Substantial Shareholders' Interests in Securities (continued)

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Big Crown Limited ("Big Crown")	Interest of corporation controlled by substantial shareholder (Note 8)	Interest in controlled corporation	370,458,244	370,458,244	48.27%
China Overseas Land & Investment Limited ("COLI")	Interest of corporation controlled by substantial shareholder (Note 8 & 9)	Interest in controlled corporation	384,548,244	384,548,244	50.10%
China Overseas Holdings Limited ("COHL")	Interest of corporation controlled by substantial shareholder (Note 10)	Interest in controlled corporation	384,548,244	384,548,244	50.10%
China State Construction Engineering Corporation Limited ("CSCECL")	Interest of corporation controlled by substantial shareholder (Note 10)	Interest in controlled corporation	384,548,244	384,548,244	50.10%
China State Construction Engineering Corporation ("CSCEC")	Interest of corporation controlled by substantial shareholder (Note 10)	Interest in controlled corporation	384,548,244	384,548,244	50.10%



OTHERS (continued)

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 2010 (i.e. 767,543,263 shares).
2. 169,319,084 shares held by UBS Trustees (comprises 99,675,364 shares and 69,643,720 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above as being held under a trust with Mr. Billy K Yung and his family members as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.
3. The number of shares disclosed hereof is made with reference to the disclosure of interest filed by Mr. Simon Yung Kwok Choi with the Stock Exchange without taking into account the acceptance of the COLI Offer (as defined in the circular of the Company dated 10 May 2010) by Mr. Simon Yung Kwok Choi in respect of his 1,000,000 shares.
4. These shares represent the sum of the personal, corporate and family interest of Mr. Simon Yung Kwok Choi without taking into account the acceptance of the COLI Offer by Mr. Simon Yung Kwok Choi in respect of his 100,000 shares.
5. These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
6. This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.
7. Madam Chiu Man's shares held under personal interest and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi.
8. Star Amuse is a wholly-owned subsidiary of Big Crown, which in turn is a wholly-owned subsidiary of COLI (Stock Code: 00688), thus Big Crown and COLI are deemed by the SFO to be interested in 370,458,244 shares in which Star Amuse is interested.
9. 384,548,244 shares held by COLI comprises 370,458,244 shares held by Star Amuse and 14,090,000 shares held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown, which in turn is a wholly-owned subsidiary of COLI and Chung Hoi is a wholly-owned subsidiary of COLI, thus COLI is deemed by the SFO to be interested in the shares held by Star Amuse and Chung Hoi (i.e. in aggregate of 384,548,244 shares).
10. COLI is a non-wholly owned subsidiary of COHL which in turn is a wholly-owned subsidiary of CSCECL. CSCECL is a non-wholly owned subsidiary of CSCEC, thus COHL, CSCECL and CSCEC are deemed by the SFO to be interested in 384,548,244 shares in which COLI is 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 2010.



OTHERS (continued)

Corporate Governance

The Company has complied with all the provisions (except Code Provision A.2.1 and A.4.1 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 2010, and also most of the Recommended Best Practices.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Billy K Yung was the Group Chairman and Chief Executive of the Company until the completion of the group restructuring. Such structure deviated from Code Provision A.2.1, however, the Board believed that this can promote the efficient formulation and implementation of the Company's strategies.

In February 2010, Mr. Billy K. Yung resigned from the post of Chief Executive of the Company and re-designated from Chairman of the Board and Executive Director to Vice Chairman of the Board and Non-Executive Director of the Company. Thereafter, the roles of chairman and chief executive officer of the Company have been performed by different persons. Mr. Hao Jian Min and Mr. Chen Bin are currently the Chairman and Chief Executive Officer of the Company respectively.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Though the Non-Executive Directors of the Company were not appointed for a specific term, they are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.



OTHERS (continued)

Changes in Directors' Information

Pursuant to Rules 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2009 Annual Report or the announcement of the Company dated 18 May 2010 in relation to Rule 13.51(2) of the Listing Rules, where applicable, up to 3 August 2010 (the date of this Interim Report) are set out as below:

Mr. Jeffrey Lam Kin Fung

- Appointed as Council Member of Hong Kong Trade Development Council

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 unaudited interim results for the six months ended 30 June 2010, and discussed with the Company's management regarding auditing, internal control and other important matters.



中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號:00081



Mixed Sources
Product group from well-managed
forests and other controlled sources
www.fsc.org Cert no. SCS-COC-003677
© 1996 Forest Stewardship Council