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

Stock code: 00688

A Trusted Brand Growing Through Diligence And Care

Annual Report 2010

A TRUSTED BRAND GROWING THROUGH DILIGENCE AND CARE

Contents

Board of Directors, Honourable Chairman and Committees

Chairman

Kong Qingping

Honourable Chairman

Sun Wen Jie#

Executive Directors

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

Non-Executive Director

Wu Jianbin	*Vice Chairman*

Independent Non-Executive Directors

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

Authorized Representatives

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

not a director of the Company
* *Committee Chairman*

Corporate and Shareholders' Information

Corporate Information

Registered Office

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2823 7888
Facsimile : (852) 2865 5939
Website : www.coli.com.hk

Company Secretary

Keith Cheung, Solicitor

Registrar

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

Legal Advisor

JSM

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers (In Alphabetical Order)

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

Shareholders' Information

Share Listing

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

Stock Code

Shares

SEHK : 00688
Bloomberg : 688:HK
Reuters : 0688.HK

Bond

		Note 1	*Note 2*
SEHK	:	China OVS N1207 Code : 2521	China OVS N2011 Code : 4503
Bloomberg	:	EF0142101	EI4567265
Reuters	:	XS0220459035	XS0508012092

Note 1: US$300,000,000 5.75 per cent. Guaranteed Notes due 2012

Note 2: US$1,000,000,000 5.50 per cent. Guaranteed Notes due 2020

Investor Relations & Public Relations

For any enquiries, please contact:
Mr. Yang Hai Song, Corporate Communications Department
Telephone : (852) 2823 7978
Facsimile : (852) 2529 9211
E-mail : haisong@cohl.com

Financial Calendar

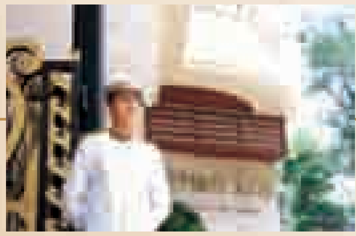
Interim results announcement	:	11 August 2010
Interim dividend paid	:	5 October 2010
Final results announcement	:	17 March 2011
Share register closed		26 May 2011 to 27 May 2011 *(both days inclusive)*
Annual general meeting	:	27 May 2011
Final dividend payable	:	15 June 2011

Corporate Structure

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

Property Development*

Mainland China, Hong Kong and Macau



Property Management

Mainland China, Hong Kong and Macau

Construction Design

Mainland China, Hong Kong and Macau

Property Investment

Mainland China, Hong Kong and Macau

* *Property development in 23 major cities in mainland China, (Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hangzhou, Zhuhai, Tianjin, Dalian, Shenyang, Qingdao, Jinan, Hohhot#, Guilin#, Yinchuan#), as well as in Hong Kong and Macau.*

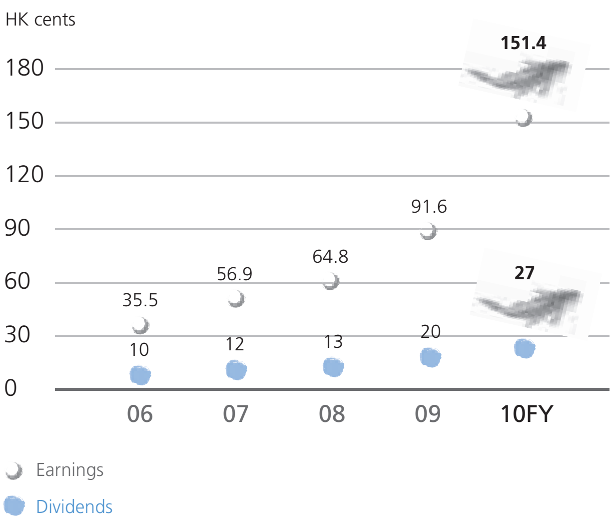
\# *The cities where COGO has operations, it also has projects in Beijing and Guangzhou.*

Financial Highlights

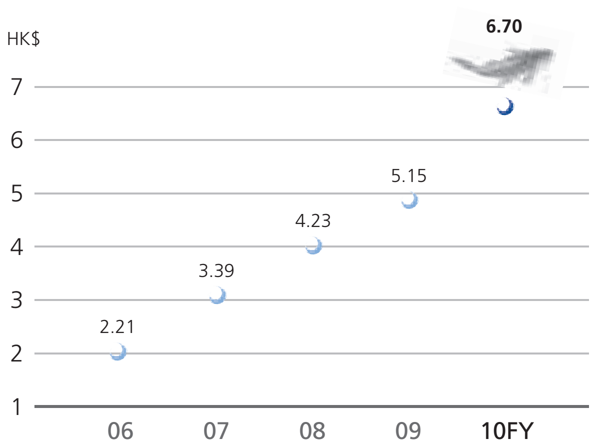
For the year ended 31 December	2010	2009	Change (%)
Financial Highlights *(HK$ billion)*			
Turnover	**44.31**	37.32	+19
Profit attributable to equity holders of the Company	**12.37**	7.47	+66
Sales of properties	**67.11**	47.79	+40
Financial Ratios			
Net debt to shareholders' funds *(%)*	**23**	22	+1*
Interest cover *(times)*	**18**	16	+2**
Dividend payout *(%)*	**18**	22	-4*
Financial Information per Share *(HK$)*			
Earnings	**1.51**	0.92	+64
Dividends	**0.27**	0.20	+35
— Interim dividend	**0.10**	0.07	+43
— Final dividend	**0.17**	0.13	+31
Equity attributable to equity holders	**6.70**	5.15	+30
Land Reserves *(million sq m)*			
Development land bank	**35.85**	30.55	+17

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

Earnings and Dividends per Share



Shareholder's Fund per Share



Chairman's Statement

Chairman's Statement

The Group has sustained a strong performance for eight consecutive years amid the global financial crisis and effects of Chinese government policies. The Group's sound operational and financial management helped it to weather the downturn in 2008, to capture opportunities in 2009 and to ride out a volatile 2010 by recording net profit attributable to shareholders of HK$12.37 billion (10.76 billion yuan). The Group has the capability to maintain rapid growth in 2011.

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

Kong Qingping
Chairman

I have pleasure to report to the shareholders that:

The audited net profit attributable to shareholders for the year ended 31 December 2010 increased by 65.7% to HK$12.37 billion. Basic earnings per share were HK151.4 cents, an increase of 65.3%. Total shareholders' funds increased by 30.0% to HK$54.73 billion. Net assets per share were HK$6.70, an increase of 30.0% on 2009, and average return on shareholders' funds reached 25.6%. The Board recommends the payment of a final dividend of HK17 cents per share for year 2010.

Business Review

In 2010, global economic conditions remained complicated and fast changing. Major developed countries were confronted with various challenges and responded with a range of economic stimulus measures. In November, the United States government announced the launch of the second round of quantitative easing measures (QE2). In emerging markets, economic development was good but governments had to adjust their fiscal and monetary policies to combat problems caused by the influx of short-term speculative funds generated by the developed world's stimulus measures, particularly to prevent local economic overheating and to control potential risks associated with asset bubbles and inflation. Through interest hikes and a series of increases in the deposit reserve ratio, China has effectively controlled liquidity and investment sentiment in the market, providing the conditions for steady and relatively fast economic growth. Led by the high GDP growth rate of 10.3% in China, economic development in both Hong Kong and Macau was strong in 2010.

Following the strong rebound in 2009, the China property market continued to perform well in the first quarter of 2010. The consolidation of property prices at a high level as well as the sharp rise in land prices somewhat affected harmony in the community leading to the launch of stricter tightening measures towards the property sector in April and September 2010, including restrictions on purchases and mortgages in some cities. The China property market was inevitably affected to some extent. But due to a combination of strong economic growth and strong rigid demand, the property market still performed well overall in 2010.

The Group achieved a substantial jump in its sales and profit in 2010. Turnover increased by about 18.7% to HK$44.31 billion, and consolidated net profit increased by 66.6% to HK$12.67 billion (11.02 billion yuan). The net profit attributable to shareholders increased by 65.7% to HK$12.37 billion (10.76 billion yuan). The Group recorded net profits of about HK$1.47 billion from three transactions: the disposal of certain interests in 3 projects to a real estate fund; the disposal of the Nanjing Yangtze River II Bridge; and the acquisition of control of China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Co. Ltd. and hereinafter referred to as "COGO"). Also, an increase in the fair value of the investment property portfolio generated net profit of about HK$1,096 million. The net profit attributable to shareholders has sustained a compound increase of more than 51.8% over the past five years (2006–2010). This comprises annual increases of over 20% in each of the past eight years (2003–2010), fulfilling the Group's commitments to its shareholders and investors.

Property Development

Total sales of properties for the Group as a whole amounted to HK$67.11 billion (including sales of joint ventures), an increase of 40.4% on the previous year; the area sold was 5.30 million sq m, representing an increase of 11.2% on 2009. As at the end of 2010, pre-sales deposits amounting to HK$23.27 billion were received, an increase of 32.8% on last year.

In 2010, the China property market was tough and challenging. However, the Group adhered firmly to its operational watchword: A Trusted Brand Growing through Diligence and Care. As a result of targeted and innovative sales and marketing measures as well as the "China Overseas Property" branding advantage, the Group achieved another sales record of HK$66.78 billion in 2010 (including sales of joint ventures) in mainland China, an increase of 42.2% on 2009. The total area of properties sold was 5.30 million sq m, an increase of 11.5% on 2009.

The Hong Kong and Macau property market was buoyant through the year, mainly due to excess liquidity generated by the quantitative easing measures and increased investment from the mainland. The Group is optimistic about this market. In 2010, it focused only on stock sales and the marketing launch for the 1 Oxford Road project towards the end of the year. Sales in 2010 amounted to a mere HK$332 million.

During the year, projects in China with aggregate gross floor area ("GFA") of 5.69 million sq m were completed. Total saleable area of these projects was 4.74 million sq m. Net of 90,000 sq m of long-term investment properties, 77.8% of this had been sold by end of 2010, corresponding to an area of 3.62 million sq m and sales value of HK$43.03 billion. Furthermore, after adjusting for sales relating to joint ventures, which are not recognised as turnover for the Group, and sales not recognised as Group turnover for the year 2010, the level of sales pertaining to projects completed in 2010 and recognized as turnover in 2010 was HK$34.91 billion. Furthermore, sales of properties held for sale were satisfactory with 0.61 million sq m sold for approximately HK$8.63 billion. At the end of 2010, about 1.40 million sq m of properties were held for sale.

The turnover of the Group's China property development business increased by 18.8% to HK$42.90 billion, the gross profit margin increased from 31.1% in 2009 to the relatively high level of 42.6%, while operating profit increased significantly by 54.9% to HK$16.34 billion. The turnover for Hong Kong and Macau amounted to HK$60 million. The gross profit margin was 62.6% while operating profit was HK$35 million.

Investment Properties

The Beijing China Overseas Property Plaza was completed towards the end of the year, adding 90,000 sq m of investment properties to the Group and making a total of 310,000 sq m as at the end of 2010. About 86% of the Beijing China Overseas Plaza was leased out and the overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK$294 million, representing an increase of 50.7% on 2009; segment results amounted to HK$2.28 billion which included increase in the fair value of investment properties amounting to HK$2,015 million (net income after deferred tax was HK$1,096 million). Operating profit was HK$267 million, representing an increase of 66.9% as compared with 2009.

Land

After taking account of the economic environment, trends in the property market, funding capabilities, the land reserve on hand and the quality and cost, 11 parcels of land were acquired by the Group (not including COGO) in 2010 in 9 cities in China — Chengdu, Dalian, Zhongshan, Beijing, Suzhou, Tianjian, Xian, Guangzhou and Zhuhai. These land parcels provide an aggregate GFA of 3.32 million sq m (attributable interest of 2.98 million sq m).

To ensure sustainable rapid growth, the Group endeavours to replenish its prime land reserve through various channels. 2.30 million sq m of land was acquired through the acquisition of COGO in February 2010. Subsequently, COGO acquired land parcels in Guilin and Yinchuan and added 3.47 million sq m of land to the Group's land reserve.

During 2010 the Group also purchased 3 parcels of land in Hong Kong and Macau with GFA of 110,000 sq m for a total consideration of about HK$3.30 billion. In October, the Group also won a contract to jointly develop a project in Sai Ying Pun with the Urban Renewal Authority.

The Group replenished its land reserve by 9.21 million (attributable interest of 7.67 million sq m) in 2010. As at 31 December 2010, the Group had a total land reserve of about 35.85 million sq m (attributable interest of about 30.38 million sq m) in 23 mainland cities, Hong Kong and Macau.

Group Finance

Subsequent to the raising of HK$8 billion in February 2010 by way of syndication, in November 2010 the Group captured the opportunity created by the announcement of the launch of QE2 by the US government when it successfully issued a 10-year US$1 billion bond at a rate of 5.5%. This greatly enhanced the debt maturity portfolio of the Group. As at 31 December 2010, outstanding borrowings and guaranteed notes payable by the Group were about HK$34.52 billion (loans denominated in RMB amounted to about HK$11.59 billion) and about HK$10.02 billion (US$1.3 billion) respectively; and cash on hand amounted to approximately HK$32.05 billion. Under tough market conditions in 2010, coupled with the fact that the full amount of the 8.50 billion yuan short-term loan advanced by its controlling shareholder China State Construction Engineering Limited was repaid and that a substantial quantity of land premiums were settled (leaving a balance of HK$14.13 billion at the end of 2010), the net gearing of the Group increased only slightly from 22.4% last year end to 22.8% at end of 2010. Such favourable financial position was attributable to excellent sales results and effective fund management. Over HK$50 billion cash inflow from sales was recorded during 2010. Shareholders' funds in the Company increased from HK$42.09 billion at the end of 2009 to HK$54.73 billion at the end of 2010.

In the first quarter of 2010, both Moody's and Standard & Poor's upgraded the Company's issuer and bond ratings to Baa2/Stable and BBB/Stable respectively and these ratings were reaffirmed when the US$1 billion bond was issued in November 2010. The upgrade reflected the recognition of the market to the Group's solid and stable financial profile and also its market-leading status.

Human Resources

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

After assiduous promotion in recent years, the "Sons of the Sea" and "Sea's Recruits" schemes have developed into respected human resource brands in the mainland property industry. Staff recruited through these two schemes have steadily become an important element supporting the sustainable and stable development of the Group. In 2010, more than 200 graduates from leading universities in China were recruited through the "Sons of the Sea" scheme and more than 500 talented staff joined through the "Sea's Recruits" scheme. This recruitment of ample human resources effectively resolved the staff shortages typically confronted by a rapidly developing organisation like China Overseas.

Corporate Governance

The Board believes that its prime duty is to protect and best utilise resources in the Group and thereby to enhance value for shareholders. A high standard of corporate governance is the key to improving corporate profit and facilitating sustainable development. Thus the Group strives to improve corporate governance standards to ensure efficient operation of the Group's businesses and safeguard its assets and shareholders' interests. Over several years, the Group has actively enhanced corporate transparency and strengthened the Group's internal controls and risk management.

Corporate Citizenship

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

In the past years the Group has been active in charitable donation. During 2010, the Group organised donation activities to show its concern and care for victims of the drought in Guangxi and the earthquake in Yushu. Resources and facilities provided to the China Overseas Hope Schools have greatly enhanced the education environment and capabilities of the locality.

The Group continued to apply environmental protection and energy conservation concepts such as carbon footprint and "green construction" throughout its corporate development strategy, as well as to the design and construction of its property projects. The aim is to help build a greener society and ensure a healthy living environment that enables sustainability in the natural environment in and around our projects.

In July, the Company became a constituent stock of the Hang Seng Corporate Sustainability Index. This reflects market recognition of the Group's efforts in corporate sustainability (including environmental protection, social responsibility and corporate governance).

Awards

In 2010, the Group received numerous awards. China Overseas Property was acknowledged as number one among "China's 20 Most Valued Property Brands" and its brand value increased to 15.59 billion yuan. It was also acknowledged as the number one among "Leading China Property Brands" and for 7 years in a row has been voted the number-one China Blue Chip Real Estate Developer. China Overseas Property was awarded 9 Jian Tian Yao (詹天佑) awards for excellence in its quality, design and management and 5 Bloomberg International Property Awards.

Prospect

Macro Economy

The original objectives of the various stimulus measures implemented by the advanced countries of the United States and eurozone were to increase market liquidity, stabilise the financial system and eventually boost economic recovery. However, the extra liquidity has not been effectively utilised with the fundamental problems that led to the global financial crisis still unresolved, unemployment rates staying high and persistent economic imbalances. Recent political instability in the Middle East and North Africa and earthquake in Japan further risk weakening the world economy. Meanwhile, the excess liquidity that flooded into the market under the quantitative easing measures led to intensified investment activity, asset bubbles and inflationary pressure, especially in emerging markets as well as in Hong Kong and Macau. The Group will closely watch for the risk of downside events triggered by any change in the international economic environment and will implement appropriate response measures in a timely and effective manner.

It is expected that the economy of China will continue to grow rapidly and GDP growth may reach eight percent in 2011. There are concerns about an overheating economy and inflation and the Chinese central government has started to adopt a tight monetary policy and prudent fiscal policy. It is expected that credit liquidity will be tightened further and interest hikes will continue in 2011. Economic development in Hong Kong and Macau will inevitably be affected to some extent. The year 2011 will be a challenging one for most enterprises.

Business Development

It is expected that competition in the China property market will intensify in 2011. Notwithstanding the launch of a series of tough tightening measures towards the China property market, the whole property market performed well in 2010 with prices staying high. This entirely reflected the actual supply and demand situation in the property market. At the same time, the fact that harmony in the community had been adversely affected led to the launch of even tougher tightening measures in 2011. Some recent policies and measures such as the trial run of a property tax in Shanghai and Chongqing, less favourable terms and also restrictions on mortgages, deepening of the restriction on purchases as well as an extension of its coverage, have restricted and interrupted the property market and adversely affected normal and sustainable property development. On the other hand, moves that curb speculation and restrict investment while increasing the supply of affordable housing should be beneficial to the healthy development of the property market, resolving the housing issue of the middle to lower classes and promoting harmony in the community. Property has become a pillar industry in China. Moreover, rapid ongoing urbanisation will continue to drive the property market for some time yet. The Group is still optimistic about the long-term development of the mainland China property market.

Greater volatility in the China property market is anticipated amid increased uncertainty. For the industry as a whole, there are more challenges than opportunities. It is expected that the market will undergo consolidation in a faster manner and weak players will be eliminated while stronger parties will be able to increase their market share. Property developers that are operationally and financially sound and have a strong brand name will be in a better position to cope effectively with the austerity measures and will have more business opportunities than challenges. The sales result for the first two months of 2011 remained satisfactory. The Group will follow the market closely so as to improve its sensitivity to market developments. By mastering changes in the market and the stages of the economic cycle, the Group will be able to seize investment opportunities including the acquisition of prime land parcels through various channels. The Group will continue to enter new cities and strengthen its balanced nationwide strategy. The Group will also continue to enhance its operational and management capability, so that it is able to maintain sustainable growth even in times of uncertainty and can consolidate its leading status in the property industry.

It is expected that the property market in Hong Kong and Macau, especially the high-end segment in which the Group operates, will remain buoyant. In 2011, the Group will seek opportunities to expand its business in Hong Kong and Macau.

Operational Philosophy

The Group holds to its operation philosophy of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" (慎微篤行　精築致遠). The Group strictly adheres to its undertakings and conducts business with complete integrity. The Group tries its utmost and explores every avenue to improve the quality of its projects so that each project stands out and sets the pace among high-end products in the area. The Group also endeavours to maintain its high levels of creativity and to continuously consolidate and expand its market and customer base. The Group works hard to enhance its customer relationship management system and to uphold its customer-focused strategy. By collecting data on customer demand and sharing it with operational departments, the Group strives to improve the quality of its projects and to provide customers with a choice of highly differentiated and desirable products. The Group continues to stick to a development model focused on mid-range to high-end products and aiming to maximise profit for the Group. The Group strives to consolidate and then strengthen its unique immense competitive advantages in the PRC property sector by continuing to be innovative and with its core advantage of a prime product and branding strongly supported by its expertise in design, construction, sales planning, customer service and property management.

Brand Building

The Group will continue to enhance its brand value and operate as a branded organisation. It will strive to develop and sell prime branded product and this will be achieved by applying our expertise pervasively to each major link in the value chain for a property unit.

In the next generation of residential products the Group will adopt a brand-building strategy with product quality as its core value. This will enhance our already strong branding advantage. In 2011, the Group plans to apply this brand-building strategy to the design, sales and marketing, customer services and property management operations in order to strengthen the brand image of its middle to high-end products.

The corporate brand, project brand and product quality are interrelated and can be mutually beneficial. The Group will spread the "China Overseas Property" brand to the newly entered cities and territories. This will expand its brand reach and enable its product to capture a premium. The Group takes as its corporate responsibility the provision of prime quality in its houses and satisfaction among its customers. The China property market is at a consolidation stage and the Group may increase its market share as its brand name is enhanced and becomes more widely known. The brand value of China Overseas Property will continue to increase and make a greater contribution to the Company's market capitalisation.

The Group keenly recognises that the brand value of a corporation depends largely on its corporate image, its capability to act with a high level of corporate citizenship and effective corporate governance.

Sustainable Project Development

The Group will closely monitor the market and control the pace of its project development and sales appropriately. The Group will continue to launch targeted, highly differentiated, premium products. By leveraging its brand name, backed by innovative marketing and sales operations, the Group can improve its sales results and cash flow, maximise the return on its assets and ensure sustainable growth in the scale and profitability of its operations. It is planned that in 2011, the Group will commence development of an additional 10 million sq m bringing the total area under development to around 20 million sq m; projects with GFA of 7 million sq m will be completed for occupation; the Group will strive to achieve total sales area of not less than 6.3 million sq m for 2011.

The Group will allocate sufficient resources to ensure the successful sales of the two luxury projects in Hong Kong (6 Stanley Beach Road and 1 Oxford Road) and the smooth development and pre-sale of the Fanling project and the Kowloon Tong Grampian Road project.

Better Business Structure

The Group will continue to operate a business structure with residential development as the main element and investment property in a supplemental role. It will balance resource allocation for short-term and long-term investment and gradually increase its weighting on investment property so as to obtain stable long-term returns and to enhance its capability to balance market risk. In the long term, the Group will work towards securing a profit contribution from investment property of at least 20% of total profit. Currently, the total area of commercial property under development and yet to be developed by the Group amounts to about 2.5 million sq m. Of this, about 1.5 million sq m (the Group's attributable interest) will be retained as long-term investment property. Furthermore, the Group sold the Nanjing Yangtze River II Bridge in November 2010 at a profit of HK$270 million, receiving cash amounting to HK$1.69 billion and marking the Group's full withdrawal from the infrastructure sector.

Land Replenishment

The Group will calmly meet the challenges ahead. It will maintain an appropriate scale of investment and capture opportunities offered by market adjustments to replenish its prime land reserve through a variety of means and channels. It is intended that the Group will enter three or four new cities in 2011 and the replenishment of its land reserve will not be less than 7.2 million sq m in GFA.

Up to the date of the results announcement, the Group (not including COGO) has in 2011 acquired 8 parcels of land in 7 mainland cities with a total GFA of 5.04 million sq m.

Multi-Growth Models

The Group will strive to expedite its development and expand its development scale through joint venture cooperation and mergers and acquisitions. Most of the joint venture projects are at the investment phase and are expected to soon show an increased contribution. The real estate fund established in March 2010 is operating smoothly. The launch of phase II of the fund, which will invest in and operate with the Group on brand new projects, is making good progress. The acquisition of the control of COGO was completed in March 2010. Due to the issue of new shares in COGO pursuant to the reorganisation and restructing plan of COGO in February 2011, COGO became an associated company of the Group. As the single largest shareholder of COGO, the Group will continue to manage the company. COGO will focus on third- and fourth-tier cities in China and is expected to develop rapidly in the coming years and will effectively complement the business of China Overseas Property.

Market Leading Status

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

Prudent Financial Management

The Group will continue to adhere to prudent financial management while it strives to improve its fund management capability in order to enhance its financial strength and resources and to increase its asset protection capabilities. The Group will continue to explore new fundraising channels and make full use of its fundraising platforms in the international and Hong Kong financial markets in 2011. It will continue to upgrade and promote its ERP system to enhance the communication of project and financial information, intensify cash flow control across all regions, increase cash inflow and effectively combat the risks brought about by any shortage in liquidity.

Business Prospects

The Board is confident about prospects for the Group. Strong profit growth has been sustained for eight consecutive years despite the impact of the global financial crisis in the past three years. The Group was able to maintain growth in the difficult 2008, to follow the market trend and seize opportunities in the blossoming 2009 and to mitigate risks as well as succeeded in achieving rapid growth while the market was filled with uncertainty in 2010. This demonstrates the Group's strength and flexibility. The year 2011 will be full of opportunities and challenges. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." Furthermore, with its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness through its persistent innovation. The Group is very confident that it can maintain its leadership position in the China property industry and achieve steady high-quality balanced growth.

Mission

The Group continues to adopt a human resources management approach that focuses on personal development, working atmosphere and motivation for staff. The Group is committed to enhancing shareholder value, raising its standards of corporate governance, moral integrity and corporate citizenship, and improving its core competitiveness through continuous innovation. The ultimate goal is to attain an outcome that is mutually beneficial for the Group, its shareholders, business associates, staff members and the community. The Board will endeavour to develop the Group into an evergreen enterprise.

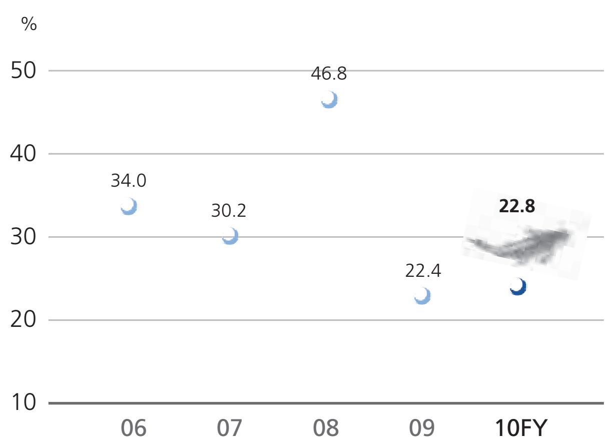
Appreciation

Lastly, I wish to express my heartfelt appreciation to the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

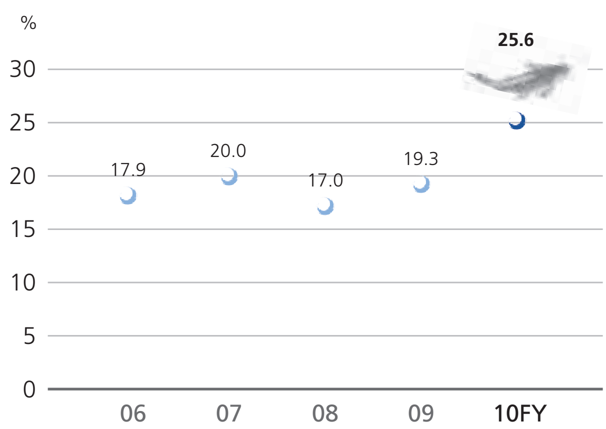
By order of the Board
China Overseas Land & Investment Limited
Kong Qingping
Chairman

Hong Kong, 17 March 2011

Net Debt to Shareholders' Funds



Average Return on Equity in the past 5 years



濟南趵突泉

Management
Discussion and Analysis

Overall Performance for **Year 2010**

In 2010 the Group had another excellent year

The Group's turnover amounted to HK$44.31 billion (2009: HK$37.32 billion), an increase of 18.7%. Operating profit was HK$20.69 billion (2009: HK$12.26 billion), an increase of 68.8%. Net profit attributable to shareholders amounted to HK$12.37 billion (2009: HK$7.47 billion), an increase of 65.7%. Basic earnings per share were HK151.4 cents (2009: HK91.6 cents), an increase of 65.3%.

The equity attributable to shareholders of the Company at the end of 2010 increased by 30.0% to HK$54.73 billion (2009: HK$42.09 billion).

Income

Operating income from the Group's property developments increased by 18.1% to HK$42.96 billion, with the PRC property development business contributing HK$42.90 billion of the total turnover. Hong Kong and Macau property operating income amounted to HK$60 million.

Property investment income was HK$294 million, an increase of 50.7%.

Other income, mainly from property management and the Hua Yi design business amounted to about HK$1.06 billion, an increase of 42.1%.

Operating Profit

The Group's operating profit amounted to HK$20.69 billion, an increase of 68.8% over 2009. The operating profit from mainland property developments increased by 79% to HK$16.34 billion, and the gross profit margin increased from 31.1% in 2009 to a relatively high level of 42.6%. The property development business in Hong Kong and Macau realised an operating profit of HK$35 million, with a high gross profit margin of 62.6%.

Net profit attributable to shareholders increased by 65.7% to HK$12.37 billion. The Group recorded net profits of about HK$1.47 billion from three transactions related to: the disposal of certain interests in three projects to a real estate fund to; the disposal of the Nanjing Yangtze River II Bridge; and the acquisition of control of COGO.

Investment property rentals continued to provide stable income for the Group, with operating profit amounting to HK$267 million. There was an increase in the fair value of investment properties amounting to HK$2,015 million (net income after deferred tax was HK$1,096 million, an increase of 14.8%).

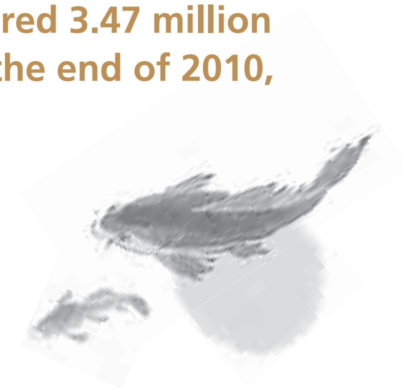
Costs and Expenses

The Group's selling and distribution costs and the administrative expenses increased by 43.7% to HK$1.91 billion. As a result of increased borrowing and the issue of a 10-year US$1 billion bond at the rate of 5.5% in November 2010, finance costs increased by 44.0% to HK$1.19 billion. Uncapitalised finance costs amounted to HK$460 million, an increase of 102%.

Land Reserves

Annual Summary

- **14 parcels of land were acquired by the Group (not including COGO) in 9 mainland cities and Hong Kong and Macau, amounting to a total GFA of 3.43 million sq m (attributable interest of 3.09 million sq m).**
- **2.3 million sq m of land reserves were added through the acquisition of COGO; subsequently, COGO acquired 3.47 million sq m of land parcels in Guilin and Yinchuan. At the end of 2010, COGO had land reserves of 5.29 million sq m.**
- **At the end of 2010, total GFA for development amounted to 35.85 million sq m (attributable interest of 30.38 million sq m), an increase of 17.2% on 2009.**



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

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

The Group (not including COGO) acquired 11 parcels of land in 9 mainland cities. These parcels are located in: Chengdu, Dalian, Zhongshan, Beijing, Suzhou, Tianjing, Xi'an, Guangzhou and Zhuhai. 3 land parcels were also acquired in Hong Kong and Macau for a total consideration of about HK$3.30 billion. The 14 land parcels together provided additional GFA of approximately 3.43 million sq m, in which the attributable interest was 3.09 million sq m. In 2010, sales remained strong across the whole property market in China. Most property developers had record sales in terms of both area and transaction value and this triggered an urgent and strong need to replenish their land reserves. Land prices were pushed to higher levels, which in turn led to further tightening measures. As the market leader, the Group was able to increase its land reserves through a variety of methods. The acquisition of COGO, begun in September 2009, was finally completed in March 2010, adding 2.3 million sq m to the Group's land reserves. The 2.3 million sq m of land was mainly located in Beijing, Guangzhou, Guilin and Hohhot. COGO later acquired 3.47 million sq m of land parcels in Guilin and Yinchuan and laid a solid foundation for the sustainable development of the COGO's property business.

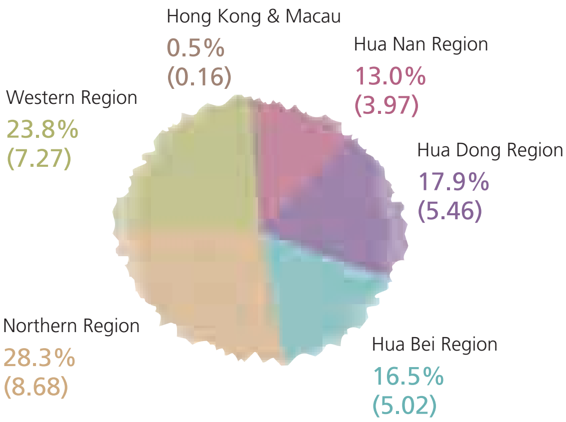
At 31 December 2010, the Group had a total land reserve of over 35.85 million sq m, in which the attributable interest was 30.38 million sq m, in 23 mainland China cities and districts, as well as in Hong Kong and Macau. In terms of location, 28.3%, 23.8%, 17.9%, 16.5% and 13.0% of the land reserves of the Group (not included COGO) are situated in the Northern region, the Western region, the Hua Dong region, the Hua Bei region and the Hua Nan region respectively.

The Group's small land reserves in Hong Kong and Macau (160,000 sq m, 0.5% of the total land reserves) are of high quality and can provide satisfactory returns for the Group. During 2010, the Group seized the opportunity to acquire 3 parcels of land in Hong Kong and Macau for a total consideration of about HK$3.3 billion and signed an agreement to jointly develop a project in Sai Ying Pun with the Hong Kong Urban Renewal Authority in October. These provide a strong foundation for the Group's property development business in Hong Kong in the high-end sector.

Leading up to the date of the results announcement on 17 March, the Group (excluding COGO) acquired 8 more pieces of land in 7 mainland cities, adding a total GFA of 5.04 million sq m, bringing its land reserve up to 40.89 million sq m (attributable interest of 35.42 million sq m).

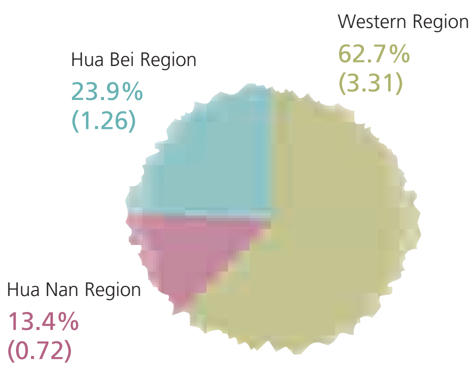
Breakdown of Land Reserves by Region (excluding COGO)

(unit: million sq m)



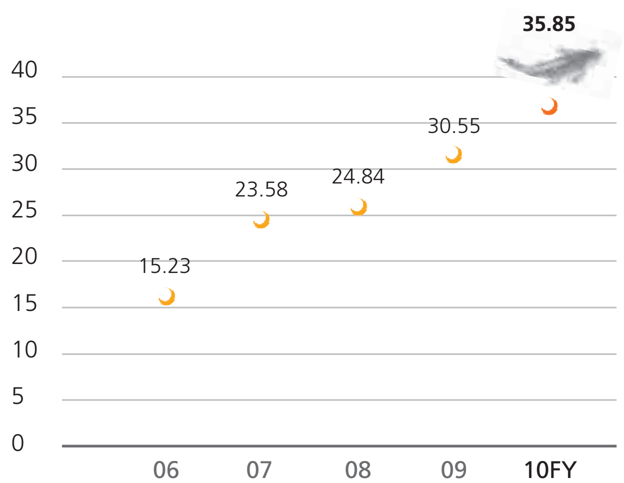
Breakdown of Land Reserves by Region (COGO)

(unit: million sq m)



2006 to 2010 Growth in Total Land Reserves

(unit: million sq m)



National Coverage of the Group

Land Parcels added in 2010

	Project Name	Land Area ('000 sq m)	Total GFA ('000 sq m)
Hua Nan Region			
Zhongshan	Shiqi Project	85	242
Zhuhai	Fuhua Project	68	239
Guangzhou	Baiyun District Baiyun New City	21	77
Hua Dong Region			
Suzhou	Gaoxin District Binhe Road Project	44	100
Hua Bei Region			
Beijing	Fengtai Project A	284	505
Beijing	Fengtai Project B	37	58
Tianjin	Hebei District Tiedong Road Project	150	590
Northern Region			
Dalian	Shahekou Shimenshan Project	114	192
Western Region			
Chengdu	Wuhou District Longjing Village Project	123	430
Xi'an	Qujiang New District Project A	100	440
Xi'an	Qujiang New District Project B	130	447
Hong Kong & Macau			
Hong Kong	Chung Hom Kok Cape Road Project	3	2
Macau	Quarteirao Lot 6 (A2/L) project	3	40
Macau	Quarteirao Lot 19 (A1/M) project	6	72
COGO			
Acquisition of COGO		1,732	2,305
Guilin	Jiangan Road Project	64	159
Yinchuan	Jinfeng District Project	1,351	3,314
	Total	4,315	9,212

Total Land Reserves

	City	GFA ('000 sq m)
Hua Nan Region	Shenzhen	579
	Zhongshan	267
	Guangzhou	281
	Foshan	1,632
	Zhuhai	1,209
Hua Dong Region	Shanghai	893
	Ningbo	696
	Hangzhou	1,595
	Nanjing	739
	Suzhou	1,535
Hua Bei Region	Beijing	830
	Tianjin	845
	Jinan	3,350
Northern Region	Shenyang	6,476
	Changchun	1,181
	Dalian	258
	Qingdao	764
Western Region	Chengdu	1,391
	Xi'an	1,715
	Chongqing	4,170
Hong Kong & Macau	Hong Kong	44
	Macau	112
COGO	Beijing	342
	Guangzhou	366
	Guilin	348
	Hohhot	918
	Yinchuan	3,314
	Total	35,850


Hua Nan Region
Hua Dong Region
Hua Bei Region
Northern Region
Western Region
Hong Kong & Macau
Changchun
Shenyang
Dalian
Hohhot
Beijing
Tianjin
Yinchuan
Qingdao
Jinan
Xi'an
Nanjing
Shanghai
Suzhou
Ningbo
Hangzhou
Chengdu
Chongqing
Guangzhou
Guilin
Foshan
Shenzhen
Zhongshan
Hong Kong
Zhuhai
Macau
COGO
Land Reserves of the Group (excluding COGO)
Land added in 2010

Property Development

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

Annual Summary

- **Projects with GFA of 5.69 million sq m were completed**
- **Saleable area of these completed projects amounted to 4.74 million sq m. Net of 90,000 sq m of long-term investment properties, 77.8% or 3.62 million sq m were sold**
- **A total of 5.30 million sq m of property was sold, raising HK$67.11 billion, representing increases of 11.2% and 40.4% respectively over 2009**
- **Segment profit was HK$16.70 billion, an increase of 58.5% over last year**

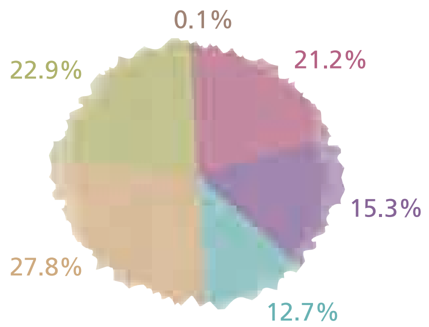
Despite of the launch of stricter tightening measures that inevitably affected the China property market, it still performed well overall in 2010 due to a combination of strong economic growth and strong rigid demand. Excellent results were recorded in 2010, partly due to the fact that China Overseas Property is a leading brand name in the mainland China property sector. China Overseas Property was acknowledged as number one among "China's 20 Most Valued Property Brands" and its brand value increased to 15.59 billion yuan.

Property sales for the year were satisfactory at HK$67.11 billion, representing an increase of 40.4% over 2009. The total GFA sold was 5.30 million sq m, an increase of 11.2% over last year. Sales in China were HK$66.78 billion, accounting for 99.5% of the total sales and an increase of 42.2% over 2009. The total GFA sold in China amounted to 5.30 million sq m, an increase of 11.5% over last year. Sales in Macau and Hong Kong during the year were HK$332 million.

In 2011, greater volatility is expected amid increased uncertainty. Following the implementation of the tightening measures, tougher competition will lead to faster market consolidation. 2011 could be a challenging year for most developers. As an operationally and financially sound developer with a strong brand name, the Group is at a relative advantage. The Group is confident of its performance in 2011. It is also expected that the property market in Hong Kong and Macau will remain good, especially in the luxury sector. The Group will look for opportunities to further expand its business in Hong Kong and Macau.

2010 Property Sales in area by Region

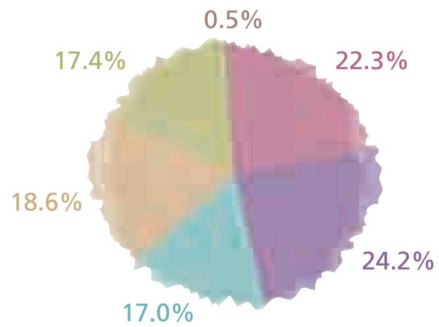
(unit: '000 sq m)



Hua Nan Region	1,124
Hua Dong Region	810
Hua Bei Region	674
Northern Region	1,476
Western Region	1,215
Hong Kong & Macau	2

2010 Property Sales by Region

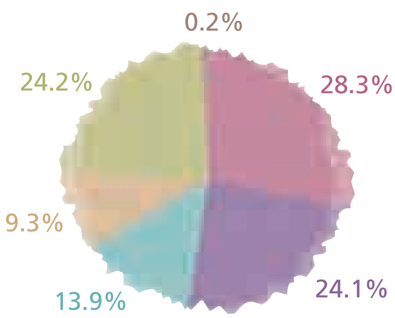
(unit: HK$million)



Hua Nan Region	14,976
Hua Dong Region	16,224
Hua Bei Region	11,424
Northern Region	12,488
Western Region	11,664
Hong Kong & Macau	332

2010 Gross Profit Contribution by Region

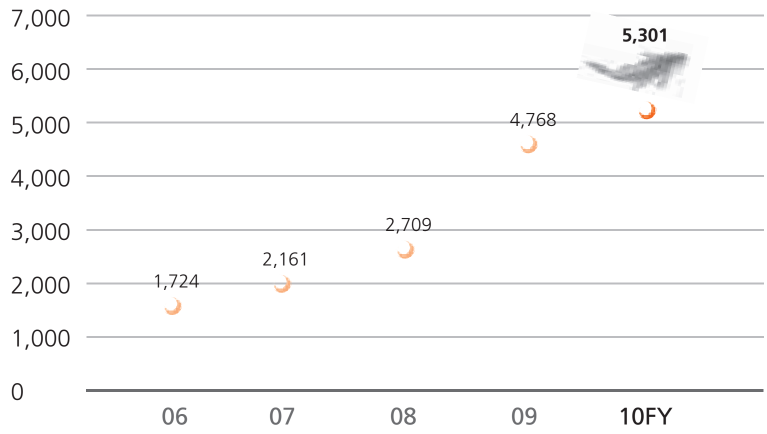
(unit: HK$million)



Hua Nan Region	4,882
Hua Dong Region	4,149
Hua Bei Region	2,390
Northern Region	1,614
Western Region	4,175
Hong Kong & Macau	38

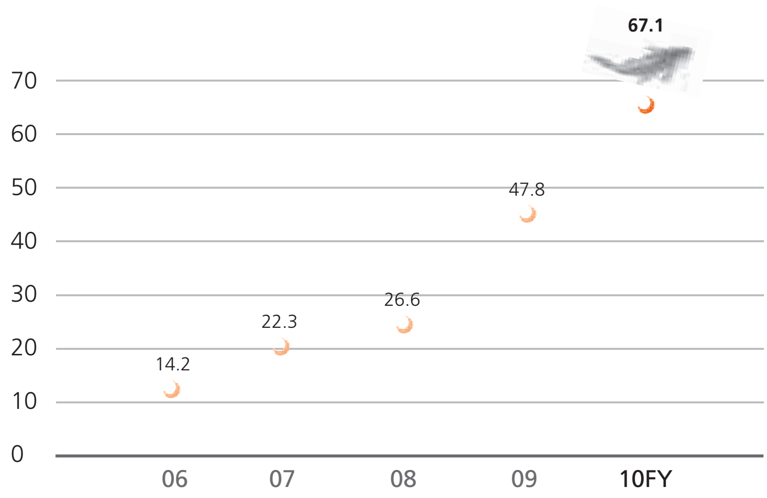
2006 to 2010 Growth in Property Sales Area

(unit: '000 sq m)



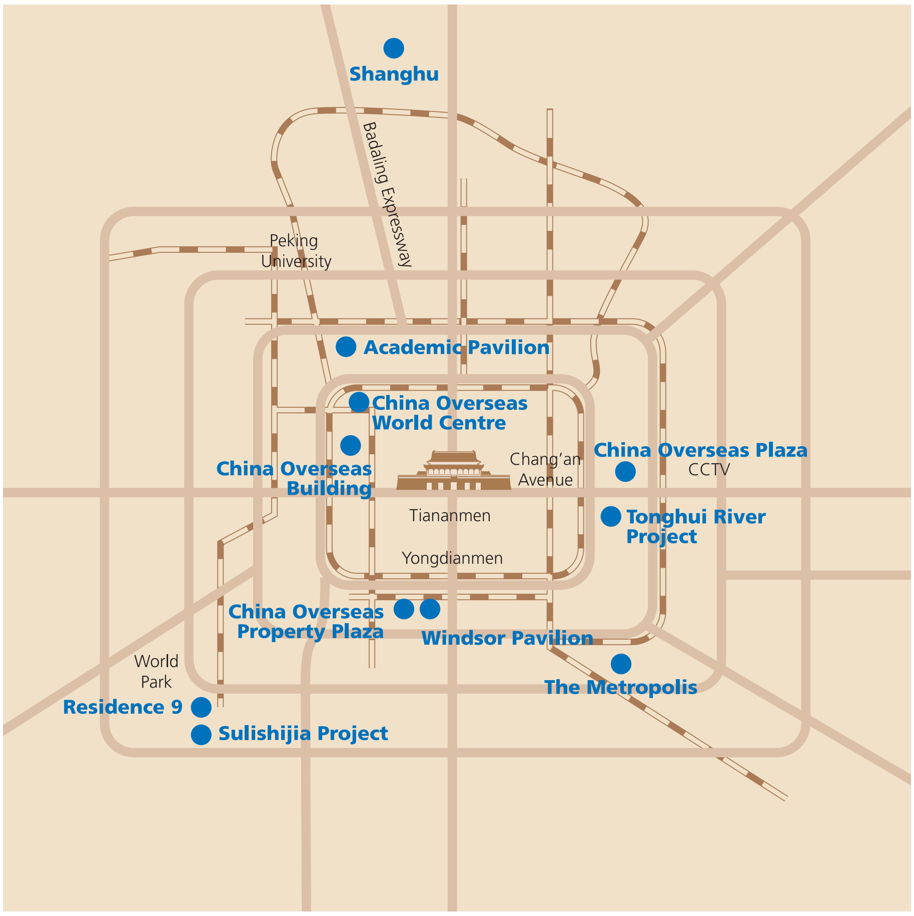
2006 to 2010 Growth in Property Sales Amount

(unit: HK$ billion)



China is a vast country whose local and regional economies are developing at varying rates, and its property markets are also at different stages from one another. Comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group's compound growth rate of over 50% over the past five years is attributable to the effective implementation of this strategy. While the Group is entering into more second-tier cities, it retains its focus on first-tier cities. The performance in Beijing was outstanding in 2010 with doubled operating profit. The Group has been in the Tianjin market since 2007, and it is expected that future development there will be satisfactory. Beijing, Jinan and Tianjin are now included under the management of the Huabei District. Since Jinan was presented last year, this year we are highlighting Beijing and Tianjin.

Beijing



Beijing is the capital and the political, economic, transport and cultural centre of China. It is one of the country's four direct-controlled municipalities. It has a total area of approximately 16,410 square kilometres and an ordinary population of 17.55 million. In 2010, the Gross Domestic Product ("GDP") of Beijing City was 1.37 trillion yuan, an increase of 10.1% compared to that of last year. Its per capita GDP was 78,000 yuan.

Beijing

Windsor Pavilion

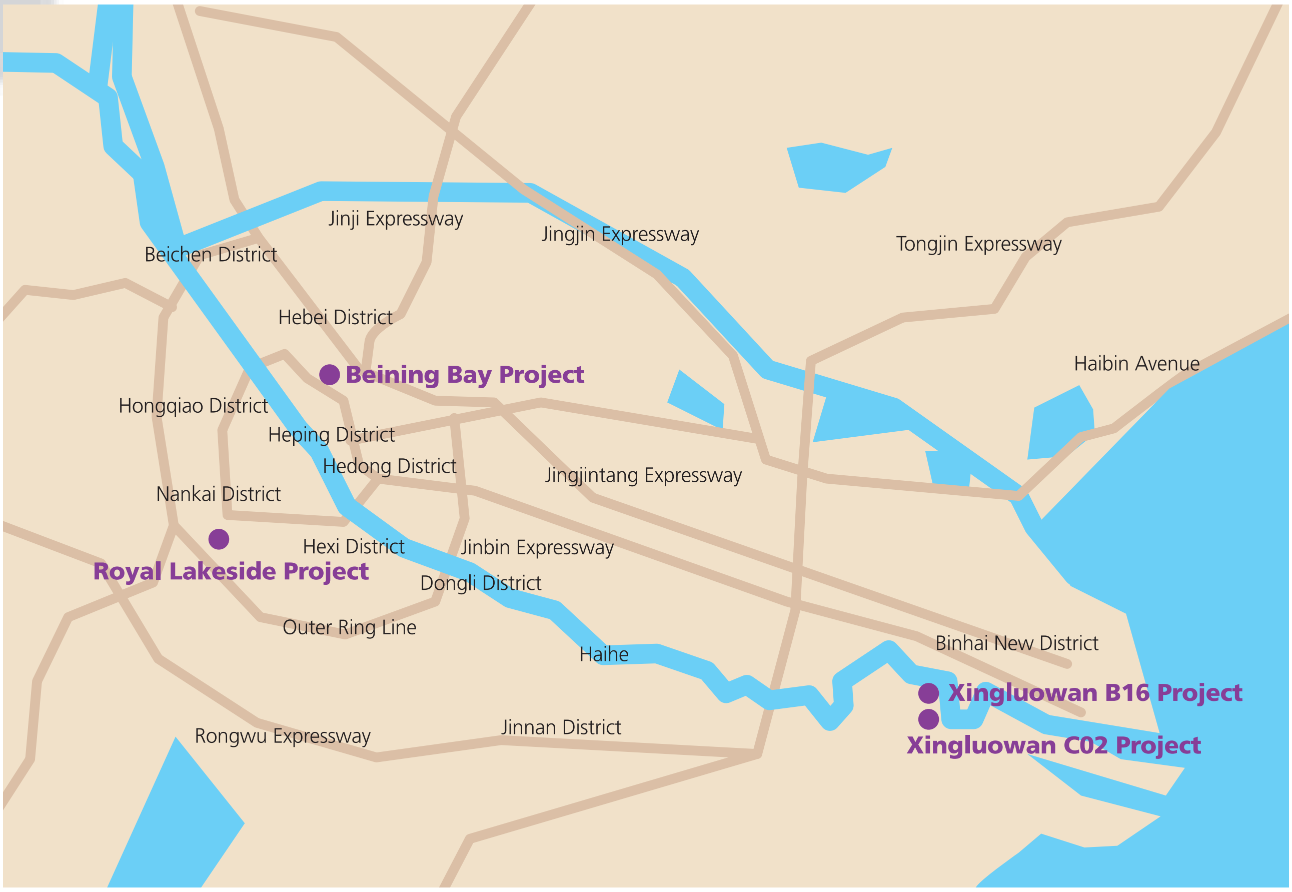
Residence 9

The real estate industry in Beijing began relatively early. After the rapid growth of the past 25 years, it has developed into a sound and mature market. Since the housing reforms introduced in 1998 there has been a sustained influx of individuals purchasing property. In recent years, investment in, and development of, properties in Beijing have grown strongly and sales of properties continue to rise. As a result, the Beijing property market has become the economic, political and social focus of the country. In 2010, the GFA of commodity residences sold in Beijing was 10.48 million sq m, with 182.1 billion yuan of commodity residences purchased at an average selling price of 17,378 yuan per square metre. The Beijing property market has become one of China's most energetic markets and still has perhaps the greatest potential of any.

Beijing China Overseas Property Company Limited (hereinafter "Beijing China Overseas Property") was established in June 1997. Relying on the solid experience in property development and the strong brand name of China Overseas Property, after 13 years of innovation and practice, Beijing China Overseas Property has built up a good reputation in the market for its brand name and professional expertise. It is now the industry leader in Beijing. Projects under development are Windsor Pavilion, Residence 9, The Metropolis and the Walden Pond Villa, located in South Second Ring, Southwest Fourth Ring, CBD District and Changping Villa respectively. Their superior geographical locations and elegant style means that they are most certainly in high demand by the market.

Beijing China Overseas Property has developed more than ten high quality residential projects and well known commercial buildings such as China Overseas Building, China Overseas Plaza and Beijing China Overseas Property Plaza. At the end of 2010, Beijing China Overseas Property had invested over 20 billion yuan in Beijing and had a land bank of approximately 830,000 sq m. In 2010, Beijing China Overseas Property sold property with a GFA of 210,000 sq m for a contracted sales amount of nearly 6 billion yuan; its turnover was HK$3.5 billion with an operating gross profit amounting to HK$2 billion. Though market competition is intensifying, it is expected that Beijing China Overseas Property can achieve an excellent result in 2011.

Tianjin



Tianjin is one of the four direct-controlled municipalities in China. The total area of this administrative region is 11,760 square kilometres and it has over 10 million residents. The city centre is 137 kilometres from Beijing and is a noted international port as well as an ecological city. Located in the centre of the pan-Bohai Rim, it is the origin of the nation's industrialisation. It is also the largest of the northern coastal cities that first opened to the world. Now it is northern China's leading centre of marine transport and industry. As the metropolis with the fourth largest industrial base and the third largest port for foreign trade in China, its growth has further accelerated since the Binhai New District development became a national strategy in 2006.

Tianjin

Royal Lakeside

China Overseas International Building

The GDP of Tianjin has been growing at a double-digit rate in recent years, and the GDP of the city for 2010 exceeded 919 billion yuan, a net increase of 158.7 billion yuan or 17.4% compared with that of 2009. Its growth rate remained among the best in the country and was the fastest in the city in 25 years.

In recent years, property development and investment in Tianjin has been growing steadily and fast, at a rate of around 20%, even though as a proportion of investment in fixed assets dropped slightly from 2006 to 2008.

After more than two years of development, the Tianjin branch has entered into a stage of rapid growth. In 2010, Tianjin China Overseas achieved 350 million yuan of contracted sales. While the units at Royal Lakeside are selling like hot cakes, three projects — the China Overseas International Building at Xiangluo Bay in Binhai New District (B16), the two C02 sites and the project in Beining Bay in Hebei District acquired in February 2010 — have commenced construction work.

Looking forward, the Tianjin branch is committed to be a leader in promoting the development of residential housing in Tianjin.

Project Development

During the year, projects with GFA of 5.69 million sq m were completed and the saleable area for these projects amounted to 4.74 million sq m. Net of 90,000 sq m of long-term investment properties, 77.8% or 3.62 million sq m were sold by the end of 2010, raising HK$43.03 billion, of which HK$34.91 billion was recognised as turnover for 2010. Sales of properties held for sales were satisfactory at 610,000 sq m. At the end of the year, pre-sale deposits amounting to HK$23.27 billion were received, an increase of 32.8% on 2009. Hong Kong and Macau had no projects completed for occupation in 2010.

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

		GFA	
Hua Nan Region			
Shenzhen		334	
Zhongshan		88	
Guangzhou		325	
Foshan		538	
Zhuhai		77	
	Sub-total	**1,362**	**(24.0%)**
Hua Dong Region			
Shanghai		178	
Suzhou		441	
Ningbo		177	
Hangzhou		163	
Nanjing		88	
	Sub-total	**1,047**	**(18.4%)**
Hua Bei Region			
Beijing		293	
Jinan		347	
	Sub-total	**640**	**(11.3%)**
Northern Region			
Changchun		196	
Shenyang		504	
Dalian		97	
Qingdao		167	
	Sub-total	**964**	**(16.9%)**
Western Region			
Xi'an		646	
Chongqing		120	
Chengdu		714	
	Sub-total	**1,480**	**(26.0%)**
Hong Kong & Macau			
Hong Kong		8	
	Sub-total	**8**	**(0.1%)**
COGO			
Hohhot		188	
	Sub-total	**188**	**(3.3%)**
	Total	**5,689**	

At the end of 2010, about 11 million sq m was under development by the Group. In 2011, it is planned that the Group will commence development of an additional 10 million sq m, bringing the total area under development to around 20 million sq m. It is also planned that projects amounting to GFA of 7.2 million sq m will be completed in 2011 in mainland China.

GFA of Projects Completed in 2011 by Region (unit: '000 sq m)

District	GFA	
Hua Nan Region	855	(11.9%)
Hua Dong Region	1,847	(25.6%)
Hua Bei Region	910	(12.6%)
Northern Region	1,588	(22.1%)
Western Region	1,940	(26.9%)
Hong Kong & Macau	65	(0.9%)
Total	**7,205**	

Major Completed Project

Northern Region

The Silver Carse, Qingdao

Major Completed Project

Hua Nan Region

Golden Sand Coast, Foshan

Major Completed Project

Western Region

One City South, Chengdu

Major Completed Project

Hua Bei Region

Windsor Pavilion, Beijing

Major Completed Project

Hua Dong Region

The Riviera, Hangzhou

Major Projects under Development

Northern Region

La Cité, Shenyang

Land area	: 740,000 sq.m.	Number of units	: 13,127 units
GFA	: 2,222,001 sq.m.	Estimated Completion	: 2018
Description	: Located at the central part of 1st Ring Road, the project creates a city of dream with new residential culture.		

COLI City, Shenyang

Land area	: 1,280,000 sq.m.	Number of units	: 20,000 units
GFA	: 2,800,000 sq.m.	Estimated Completion	: 2018
Description	: Located at the junction between Xijiang Road and Baishan Road, Yuhong District, the project comprises of townhouses and low-rise, mid-rise, high-rise buildings and commercial development.		

Major Projects under Development

Western Region

Golden Sand Mansion, Chengdu

Land area : 48,000 sq.m.
GFA : 144,000 sq.m.
Number of units : 856 units
Estimated Completion : 2011
Description : Located at Jinsha District, Chengdu City, a traditional high-end ecological residence, the project will comprise of townhouses and high-rise apartments.

International Community, Xi'an

Land area : 600,000 sq.m.
GFA : 1,350,000 sq.m.
Number of units : 10,485 units
Estimated Completion : 2012
Description : Located at the northern part of Qujiang New District at the southeast of Xi'an City, the project will comprise of mid to large size international communities with townhouses, foreign-style low-rise, mid-rise and high-rise apartments.

Hua Bei Region

Residence 9, Beijing

Land area	: 321,305 sq.m.	Number of units	: Under planning
GFA	: 395,313 sq.m.	Estimated Completion	: 2013

Description : Located at Hua Xiang Liu Quan Cun, Fengtai District, Beijing, the project will comprise of high-end residential communities including townhouses and low-rise apartments.

International Community, Jinan

Land area	: 1,782,000 sq.m.	Number of units	: Under planning
GFA	: 3,000,000 sq.m.	Estimated Completion	: 2016

Description : Located at the southern end of the central axis of Jinan, the project is an ultra-large international residence comprising of townhouses, garden houses and low-rise apartments.

Major Projects under Development

Hua Dong Region

The Phoenix, Nanjing

Land area	: 210,000 sq.m.	Number of units	: Under planning
GFA	: 700,000 sq.m.	Estimated Completion	: 2015
Description	: Located at the southern part of Gulou District, Nanjing, the project comprises of high-end residence, commercial facilities and office buildings.		

Coastal Palace, Shanghai

Land area	: 131,232 sq.m.	Number of units	: 1,381 units
GFA	: 155,346 sq.m.	Estimated Completion	: 2011
Description	: Located at the centre of "Great Pudong", the project is a low-density garden community with townhouses and high-rise apartments.		

Major Projects Under Development

Hua Nan Region

Longwan International Community, Zhongshan

Land area : 84,753.5 sq.m.
GFA : 211,881 sq.m.
Number of units : 891 units
Estimated Completion : 2012
Description:
Located at the northern part of Shiqi District, Zhongshan City, the project boasts pleasant landscape and comprises of commercial development, office buildings, residential apartments, entertainment facilities and traffic systems.

Starcrest, Foshan

Land area : 154,780.2 sq.m.
GFA : 588,164.76 sq.m.
Number of units : 2,837 units
Estimated Completion : 2011
Description:
Located at Guangzhou-Foshan RBD hub, Nanhai District, Foshan City, the project is a benchmark community of Foshan international metropolitan eco-luxury residence.

Hong Kong - Macau Region

The Paragon, Macau

Land area : 2,916 sq.m.
GFA : 53,150 sq.m.
Number of units : 189 units
Estimated Completion : 2014
Description : The project is a landmark waterfront luxury development located in the Nape area of Macau.

The Green, Hong Kong

Land area : 88,000 sq.m.
GFA : 35,200 sq.m.
Number of units : 253 units
Estimated Completion : 2012
Description : Garden townhouses located in Fanling with The Hong Kong Golf Club as its neighbour.

Property Investment

The Group continues to operate a business structure with residential development as the main element, and investment property in a supplementary role. The Group strives to gradually increase its profit from investment properties to 20% of total profit.

Annual Summary

- **Investment properties held as at the end of 2010 amounted to 310,000 sq m.**
- **Investment properties under development or to be developed totalled over 1.5 million sq m.**
- **Annual rental income was HK$294 million.**
- **Increase in fair value of investment property amounted to HK$2.02 billion, mainly coming from Beijing China Overseas Property Plaza, Zhuhai Grand Waterfront, and Shenyang La Cité and the China Overseas Building in Hong Kong.**

Completed Investment Properties

Following the completion of Beijing China Overseas Property Plaza at the end of 2010, the Group had an aggregate of 310,000 sq m of investment properties in Hong Kong and mainland China. By 2010 year-end, 86% of the rental area of the Beijing China Overseas Plaza was rented out. Total rental income for the year was HK$294 million, representing an increase of 50.7% on the previous year. Total rental income arising from Hong Kong amounted to HK$110 million, while that from the mainland amounted to HK$184 million. Segment profit amounted to HK$2.28 billion, which included an increase in fair value of properties of HK$2.02 billion. Operating profit was HK$267million, representing an increase of 66.9% on the previous year.

Investment Properties under Development

The Group will hold to its strategy of increasing its weighting on investment property so as to provide stable long-term income. The target is to increase its profit from investment properties gradually to 20% of its total profit. Currently, the GFA of the Group's commercial properties, both those under development and those to be developed in the next few years, is about 2.5 million sq m. It is planned that around 1.5 million sq m (attributable interest) will be retained in the form of investment properties. Together with the existing 310,000 sq m of investment properties, the Group will have investment properties of over 1.8 million sq m (attributable interest) in 2015.

Property-Related Business

Property-related businesses such as property management and construction design are supplementary to the development of residential property and investment property. However they strengthen and consolidate the immense and unique competitiveness of the Group in the China property market.

Construction Design

Incorporated in Hong Kong, Hua Yi is the only wholly foreign-owned design and consultancy company awarded a Grade-A Design Licence (甲級工程設計證書) by Ministry of Housing and Urban-Rural Development of the PRC. Backed by an accomplished professional design team, the Hua Yi trademark has gained a solid reputation. Since its establishment 20 years ago, Hua Yi has completed projects across more than 20 large and medium-sized cities in mainland China, Hong Kong and Macau. During the year, Hua Yi had a turnover of HK$220 million and profit contribution of HK$13 million.

Property Management

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

During the year, the Group recorded property management fee income of HK$800 million (HK$190 million from Hong Kong and HK$610 million from mainland China), representing an increase of 41.3% over 2009. The Group managed a total GFA of 22.84 million sq m (approximately 2.96 million sq m in Hong Kong and 19.88 million sq m in the mainland), representing an increase of 28% over 2009. China Overseas Property Management in Hong Kong is one of the largest property management companies in the shopping mall and car park management sector.

Peking University HSBC School of Business

Shenzhen Dapeng Peninsula Geopark

Customer Service and Relationships

Customer Service and Relationships (continued)

"China Overseas Property" is a leading brand name in the mainland China property sector. With "Creation of spectacular life" as the brand proposition, the core value of the brand rests with its concern for customers. In 2010, the Group advanced the relationship with customers and customer service to the strategic level. The newly set up Customer Relationship Department in the Group's China headquarter strives to enhance customer service capability and build a stronger linkage with customers. Through closer internal supervision and enhancement of the quality control system, with the customer at the centre, the Group provides better service to its customers while ensuring that its products fully meet customer expectations.

At the beginning of the year, a customer relationship management system has been built and widely used internally. Statistics on customers are collected and analysed systematically in order to improve the quality of customer service including its response time. Through surveys of customer satisfaction, the Group gains insights into the concerns and preferences of its customers which helps to provide all customers with the best products and services.

The China Overseas Property Club (COPC) is established in cities in which the Group operates to promote "Wonderful living, excellent life" for its residents. COPC has welcomed over 200,000 residents in the projects developed by the Group. In 2010, COPC arranged about 500 activities, comprising wealth management, high-end product consumption, promotion of cultural, festival and sporting activities and discount offers for purchases in partner shops. COPC will continue to improve the quality of its already excellent services.

"Always with You" Theme Evening of Chengdu China Overseas Art Festival 2010 was organized to implement the unswerving aim of "Serving the property owners with Passion and Contributing to our Community", showing the extensive culture of the China Overseas Property.

In the evening on 16 March, about 2,000 property owners of the China Overseas Property in Hangzhou and guests got together and witnessed the inauguration ceremony of the COPC Hangzhou Branch Club.

Group Finance

Structure of Borrowings

The Group continues to adopt a prudent financial policy and centralises its funding and financial management. It continues to maintain a reasonable level of gearing. Subsequent to the raising of HK$8 billion in Feburary 2010 by way of syndication, in November 2010 the Group successfully issued a 10-year US$1 billion bond at a rate of 5.5%. This greatly enhanced the debt maturity portfolio of the Group. At 31 December 2010, the Group's bank and other loans and guaranteed notes payable were HK$34.52 billion and HK$10.02 billion respectively and the repayment schedule was as follows:

Repayment schedule	**2010 *(HK$ million)***	2009 *(HK$ million)*
Bank loans		
Within one year	**10,214**	6,964
More than one year, but not exceeding two years	**7,127**	6,353
More than two years, but not exceeding five years	**16,768**	8,017
	34,109	21,334
Other loans, repayable more than two years, but not exceeding five years	**411**	—
Total bank and other loans	**34,520**	21,334
Guaranteed notes		
7-year (US$300 million due to mature in July 2012)	**2,335**	2,332
10-year (US$1 billion due to mature in November 2020)	**7,683**	—
Amount due to immediate holding company	**—**	9,659
Total borrowings	**44,538**	33,325
Deduct:		
Bank balances and cash	**32,047**	23,893
Net borrowings	**12,491**	9,432
Equity attributable to equity shareholders of the Group	**54,735**	42,093
Gearing ratio (%)	**22.8%**	22.4%

The Group places great emphasis on liquidity management. In addition to maintaining a relatively high level of cash and adequate standby banking facilities, the Group also closely manages its loan maturity portfolio. The Group will always ensure that it can raise adequate long-term financing. As at end of year 2010 only HK$10.21 billion of the Group's loans were due within one year. Based on the excellent results performance and strong financial position of the Group, the Group is confident of obtaining refinancing of such loans.

At 31 December 2010, Group bank balances and cash amounted to HK$32.05 billion (31 December 2009: HK$23.89 billion).

The proportion of each currency held is listed below:

	Bank and other loans and Guaranteed notes payable	**Bank balances and cash**
Hong Kong dollars	51.48%	10.39%
Renminbi	26.03%	60.63%
Macao patacas	—	0.07%
US dollars	22.49%	28.91%
Total	100%	100%

Financial Ratios

Compared with 2009, the net current assets of the Group at 31 December 2010 increased 59.4% to HK$64.5 billion and the current ratio increased from 1.77 times in 2009 to 2.05 times this year. The China property market was tough in 2010. However, due to strong sales and effective fund management the net gearing ratio of the Group was maintained at a low level of about 22.8%. Interest cover (measured by the ratio of operating profit after deduction of interest income, to total net interest expenses including those capitalised) was 18 times compared with 16 times for the previous year, reflecting the combined effect of a significant increase in operating profit and effective control of funding costs which had more than offset the impact of increased borrowings.

Available Funds

With its sustained strong business performance and reputation, and its leading market position in the China property development sector, the Group continued to have the confidence and trust of banks in China and Hong Kong. The Group raised HK$17.18 billion outside China and 7.2 billion yuan in China. After repaying matured loans and with a substantial amount of cash generated from property sales, cash on hand increased significantly. The Group strives to maintain adequate standby facilities, explore further means and channels of financing as well as to reduce its financing costs at all times. The funding cost of the Group is among the lowest in the industry, however, with the substantial increase in borrowings, the interest expenses for the year increased 44% to HK$1.19 billion.

The Group continued to excel in its liquidity management, expediting cash inflow from projects while tightly controlling expenditure on development and operations. At 31 December 2010, the Group's bank balances and cash were HK$32.05 billion. Together with HK$5.42 billion of unutilised banking facilities, available funds reached HK$37.47 billion. This financial strength and the stable financial structure act as strong foundation for the Group to accelerate sustainable development.

The Company is the only Hong Kong–listed company in the China property development sector for which Moody's and Standard and Poor's continued to affirm an investment grade rating. At the beginning of 2010, Moody's and Standard and Poor's upgraded the Company's issuer and bond ratings to Baa2/stable and BBB/stable respectively and these ratings were reaffirmed when the US$1 billion bond issued in November 2010. The upgrade reflects recognition of the Group's leading market position in China's property sector and its stable financial profile.

Financial Structure

The Group places great emphasis on financial security. The financial structure and strength of the Group has been enhanced through various capital fund raising exercises. The equity attributable to shareholders of the Company increased 3.5 times from HK$15.45 billion at end of 2006 to HK$54.73 billion today, indicating the greatly enhanced financial strength of the Group.

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

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

At 31 December 2010, 66.4% of the Group's borrowings were made at floating rates, and 33.6% were made at fixed rates. The finance cost of the Group was 3.1% for the year 2010 (total finance costs ÷ average borrowings).

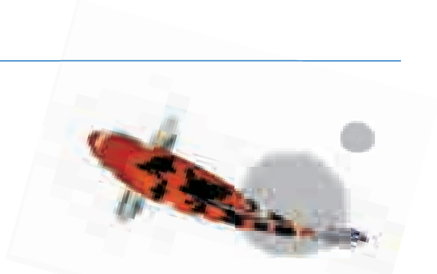
The major currency exposure of the Group come from HK dollar – denominated bank loans and US dollar – denominated guaranteed notes. As the trend of interest rates may change and the HK dollar – Renminbi rate and US dollar – Renminbi rate continues to fluctuate, the Group will prudently consider appropriate times to enter into some currency and interest swap arrangements to hedge against such exposure.

Contingent Liabilities

At 31 December 2010, the Group provided a total of HK$9.54 billion of buy-back guarantees to banks granting mortgage loan facilities to purchasers of the Group's properties in mainland China. In addition, contingent liabilities relating to guarantees given and indemnities provided in respect of the guaranteed notes issued by certain subsidiaries amounted to HK$10.02 billion. The Group has never suffered any loss in the past in relation to the granting of similar guarantees or indemnities.

Directors and Organization

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



Board of Directors

Executive Directors

Mr. KONG Qingping
Chairman,
Member of the Nomination Committee
Aged 55, holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture and a degree of Executive Master of Business Administration from Harbin Institute of Technology. Mr. Kong is a guest professor at both Harbin Institute of Technology and Hong Kong Polytechnic University and is a fellow member of the Chartered Institute of Building (UK). Mr. Kong joined China State Construction Engineering Corporation in 1982 and was seconded to Hong Kong in 1987. He became the Executive Director and General Manager of China Overseas (Hong Kong) Limited, then subsidiary of the Group, in 1997. Mr. Kong was appointed Vice Chairman and Chief Executive of the Company from 2001 and was appointed Chairman of the Company and continues to serve as Chief Executive of the Company from March 2005. In June 2007, Mr. Kong decided he would no longer concurrently act as Chief Executive of the Company. Besides acting as the Chairman and Member of the Nomination Committee of the Company, Mr. Kong is currently the Chairman and Non-Executive Director of China State Construction International Holdings Limited, and the Honorable

Chairman (but not a Director) of **China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Company Limited). Mr. Kong is also the Vice President of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668), a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has more than 29 years' extensive experience in management of corporate affairs, construction projects and property development. In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. He is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed in January 2008 as a National Committee Member of the Chinese People's Political Consultative Conference and a Standing Committee Member of Chongqing Committee of Chinese Political Consultative Conference.

Mr. HAO Jian Min

Vice Chairman & Chief Executive Officer,
Member of the Remuneration Committee

Aged 46, graduated from Shenyang Institute of Construction Engineering and is a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined the Group in 1989. He was appointed Director of a subsidiary of the Company in 2002 and certain others subsequently. Mr. Hao was appointed Executive Director of the Company in September 2005 and Vice Chairman of the Company in November 2006. In June 2007, he was appointed as Chief Executive Officer of the Company. Mr. Hao was the Chairman of the Remuneration Committee of the Company from 22 March 2007 to 1 February 2009 and is now a member of the Remuneration Committee. He is currently the Executive Director, Vice Chairman and Chief Executive Officer of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. He has about 24 years' experience in construction and property business. Mr. Hao was appointed Chairman and Non-Executive Director of **China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Company Limited) in February 2010.

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

Mr. XIAO Xiao

Vice Chairman & Senior Vice President

Aged 54, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the Group in 1990. He was appointed Director of certain subsidiaries of the Company since 1994. Mr. Xiao was appointed Executive Director of the Company in February 2005, was appointed Vice Chairman of the Company in March 2007 and has been appointed the Senior Vice President of the Company in August 2009. He is currently the Executive Director, Vice Chairman and Senior Vice President of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. He has about 29 years' experience in construction and property business.

Mr. CHEN Bin

Vice President

Aged 41, BEng. (Southeast University), MBA (Kellogg-HKUST), Senior Engineer. He joined China State Construction Engineering Corporation in 1993. Mr. Chen was seconded to the Group in 1997 and appointed a director of a subsidiary of the Company in 2001. Mr. Chen has been appointed Executive Director of the Company in November 2006 and has been appointed the Vice President of the Company in August 2009. He is currently the Executive Director and Vice President of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited. He has about 18 years' management experience in construction business and personnel administration. Mr. Chen was appointed Executive Director and Chief Executive Officer of **China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Company Limited) in February 2010.

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

Mr. DONG Daping

Vice President,

Member of the Nomination Committee

Aged 51, graduated from Heilongjiang University and holds a Master of Engineering Management degree from Harbin Institute of Technology, Senior economist. Mr. Dong joined China State Construction Engineering Corporation in 1983, joined the Group in 2001 and was appointed director and deputy general manager of a subsidiary of the Company in September 2002. Mr. Dong was appointed Executive Director and member of the Nomination Committee in August 2009 and the Vice President of the Company subsequently. He is currently the Executive Director, member of the Nomination Committee and Vice President of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. He has about 28 years' management experience in corporate human resources and administration.

Mr. NIP Yun Wing

Fellow of the Hong Kong Institute of Certified Public Accountants
Fellow of the Association of Chartered Certified Accountants
Chief Financial Officer

Aged 56, holds a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Nip joined the Company in March 2002 and was appointed executive director and deputy financial controller in June 2002. Mr. Nip resigned on 17 September 2004 to further his own objective. He joined China Overseas Holdings Limited on 1 August 2006 as the general manager of finance and treasury department and was seconded to the Company to look after finance and treasury matters of the group. Mr. Nip was appointed Executive Director and the Chief Financial Officer of the Company in August 2009. Mr. Nip has extensive experience in corporate finance, investment and management and had served as an executive director for several listed companies in Hong Kong. Mr. Nip is an independent non-executive director and a member of the Audit Committee of **Shenzhen International Holdings Limited.

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

Mr. LUO Liang

Vice President & Chief Architect

Aged 46, graduated from Huazhong Polytechnic University (now known as Huazhong University of Science and Technology), holder of master degree, professor level senior architect. He joined the Group in 1999. Mr. Luo has been appointed as Executive Director of the Company in March 2007 and has been appointed the Vice President of the Company in August 2009. He is currently the Executive Director, Vice President and Chief Architect of the Company. Mr. Luo has about 22 years' architectural experience.

Mr. LIN Xiaofeng

Vice President

Aged 46, graduated from Peking Economics University (now known as Capital University of Economics and Business) and holds a Master of Business Administration degree from University of South Australia in Australia. Mr. Lin joined China State Construction Engineering Corporation in 1988, joined the Group in 1990 and was appointed director and financial controller of a subsidiary of the Company in 2003. Mr. Lin was appointed Executive Director of the Company in August 2009 and the Vice President of the Company subsequently. He is currently the Executive Director and Vice President of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited. He has about 23 years' management experience in corporate finance and accounting.

Non-Executive Director

Mr. WU Jianbin

Vice Chairman

Aged 48, graduated from Shanxi University of Finance and Economics (now known as School of Management, Xi'an Jiaotong University) and is a MBA and DBA graduate from the Macau University of Science and Technology. Mr. Wu joined China State Construction Engineering Corporation in 1984 and was seconded to the Group in 1987. He was appointed Director and Financial Controller of China Overseas Holdings Limited in 2001 and appointed Executive Director and Financial Controller of the Company in 2002. He resigned as Financial Controller of the Company and was re-designated as Non-Executive Director and Vice Chairman of the Company in 2009. He is currently a Non-Executive Director and Vice Chairman of the Company. He is also a director of certain subsidiaries of the Company and a director of China Overseas Holdings Limited and certain of its subsidiaries. Mr. Wu has about 27 years' management experience in corporate finance, accounting and investment.

Independent Non-Executive Directors

Dr. the Hon. David LI Kwok-po

Chairman of the Audit Committee,
Member of the Remuneration Committee,
Member of the Nomination Committee

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

Aged 72, joined the board of directors as an independent non-executive director of the Company on 30 July 1992 and has served the Company for almost 19 years. Dr. Li is also the Chairman of the Audit Committee and a Member of both the Remuneration Committee and the Nomination Committee of the Company. He is the Chairman and Chief Executive of The Bank of East Asia, Limited and he is also a director of many other companies including: AFFIN Holdings Berhad (listed on Bursa Malaysia Securities Berhad), **COSCO Pacific Limited, Criteria CaixaCorp, S.A. (listed on the stock exchange of Madrid, Barcelona, Bilbao and Valencia), **Guangdong Investment Limited, **The Hong Kong and China Gas Company Limited, **The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, **PCCW Limited, **San Miguel Brewery Hong Kong Limited, **SCMP Group Ltd. and **Vitasoy International Holdings Limited. He serves on the Crédit Agricole S.A. International Advisory Board and the Federal Reserve Bank of New York's International Advisory Committee. He is a Member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. He was a director of **China Merchants China Direct Investments Limited.

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

Mr. LAM Kwong Siu
Member of the Audit Committee,
Member of the Remuneration Committee,
Member of the Nomination Committee
SBS
Aged 76, joined the board as an independent non-executive director of the Company on 30 September 2003 and has served the Company for about 7 years. Mr. Lam is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He was the Delegate of the Tenth National People's Congress. He is the Vice Chairman of BOC International Holdings Limited, the Honorary Chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association and the Honorary President of the Chinese Bankers Club of Hong Kong, and the Non-Executive Director of Bank of China International Limited, CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited), Citic International Financial Holdings Limited (withdrawal of listing on 5 November 2008), **Fujian Holdings Limited, **Xinyi Glass Holdings Limited and **Yuzhou Properties Company Limited. Mr. Lam has over 50 years' continuous banking and finance experience.

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

Dr. WONG Ying Ho, Kennedy
Chairman of the Remuneration Committee,
Member of the Audit Committee,
Member of the Nomination Committee
BBS, DCL, JP

Aged 48, joined the board as an independent non-executive director of the Company on 5 January 2004 and has served the Company for more than 7 years. Dr. Wong is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 2 February 2009. He is a solicitor and China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He was appointed as a National Committee Member of the 11th Chinese People's Political Consultative Conference in January 2008. Dr. Wong is the chairman of ** Hong Kong Resources Holdings Company Limited, a director and the deputy chairman of the audit committee of **Goldlion Holdings Limited, and also is a director of **Asia Cement (China) Holdings Corporation, Bohai Industrial Investment Fund Management Company Limited, Hong Kong Airlines Limited, #Pacific Alliance Asia Opportunity Fund Limited and **Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Ltd.). Dr. Wong was a director of **International Financial Network Holdings Ltd. , **Great Wall Technology Company Limited, #Pacific Alliance China Land Limited and **Qin Jia Yuan Media Services Company Limited.

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

companies listed on AIM Board, London Stock Exchange

Dr. FAN HSU Lai Tai, Rita
Chairman of the Nomination Committee,
Member of the Audit Committee,
Member of the Remuneration Committee
GBM, GBS, JP
Aged 65, joined the board as an independent non-executive director of the Company on 2 February 2009. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit Committee and the Remuneration Committee of the Company. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

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

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

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

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

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

Senior Management

Mr. GE Yafei

Vice President of China Overseas Land & Investment Limited
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Dong region)

Aged 47, graduated from Tsinghua University and Beijing University of Technology, holder of master degree, professor level senior engineer. He joined China State Construction Engineering Corporation in 1989 and was seconded to the Group in 1990, and is also a director of certain subsidiaries of the Group. Mr. Ge has about 22 years' management experience in construction business.

Mr. HU Ping

Director and General Manager of COB Development (Shanghai) Co., Ltd.

Aged 55, graduated from Beijing Normal University, engineer. He joined the Group in 1992. Mr. Hu has about 27 years' management experience in construction business.

Mr. ZHANG Yi

Vice President of China Overseas Land & Investment Limited
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 44, graduated from Tianjin University of Finance & Economics and Beijing Economics University (now known as Capital Business and Economics University) and the economics training centre at the People's University of China, holder of master degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. He has about 17 years' management experience in public and investment strategy business.

Mr. QU Yonghai

Vice President of China Overseas Land & Investment Limited
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Nan region)

Aged 40, graduated from Harbin Institute of Technology, senior engineer, is a MBA from Tsinghua University. He joined the Group in 1993, and is also a director of certain subsidiaries of the Group. Mr. Qu has about 18 years' experience in purchasing, investment, marketing, project development and business management.

Mr. QI Dapeng

Vice President of China Overseas Land & Investment Limited
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Northern region)

Aged 40, graduated from Jinlin University and Harbin Institute of Technology, holder of master degree, senior accountant. He joined the Group in 1997 and is also a director of certain subsidiaries of the Group. Mr. Qi has about 19 years' experience in finance and corporate management.

Mr. YAN Jian Guo

Vice President of China Overseas Land & Investment Limited
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Bei region)

Aged 44, graduated from Chongqing University of Engineering and Architecture (now known as Chongqing University) and Peking University, holder of master degree, senior engineer. He joined China State Construction Engineering Corporation in 1989 and was seconded to the Group in 2001 and is also a director of certain subsidiaries of the Group. Mr. Yan has about 22 years' management experience in construction business.

Mr. XIANG Hong

Deputy Financial Controller of China Overseas Land & Investment Limited
Director and Deputy Financial Controller of China Overseas Property Group Co., Ltd.

Aged 43, graduated from Hangzhou Institute of Commerce and Murdoch University in Australia, holder of master degree, senior accountant. He joined China State Construction Engineering Corporation in 1990 and joined the Group in 1993. Mr. Xiang was appointed Executive Director and Financial Controller of ** China Overseas Grand Oceans Group Limited in February 2010. He has about 21 years' experience in corporate financial management.

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

Mr. GUO Yong

Assistant President of China Overseas Land & Investment Limited
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Western region)

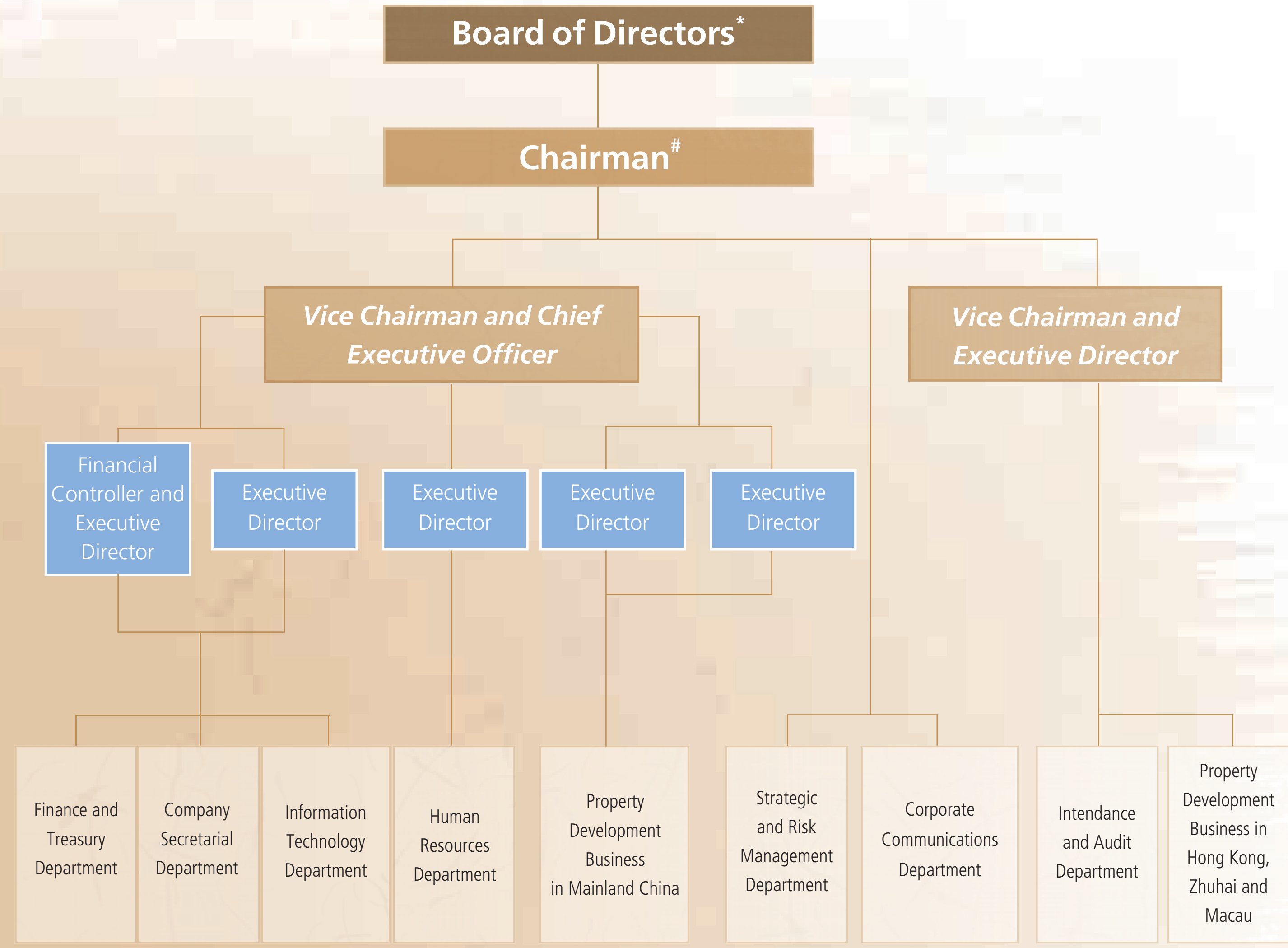
Aged 47, graduated from Chongqing University of Engineering and Architecture (now known as Chongqing University) and Troy State University, holder of master degree, senior engineer. He joined the Group in 1993 and is also a director of certain subsidiaries of the Group. Mr. Guo has about 27 years' management experience in construction business.

Mr. KAN Hongbo

Assistant President of China Overseas Land & Investment Limited
General Manager of Development Management Department of China Overseas Land & Investment Limited
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.

Aged 47, graduated from Hefei University of Technology, holder of master degree, senior engineer. He joined the Group in 1995. Mr. Kan has about 21 years' management experience in Engineering management.

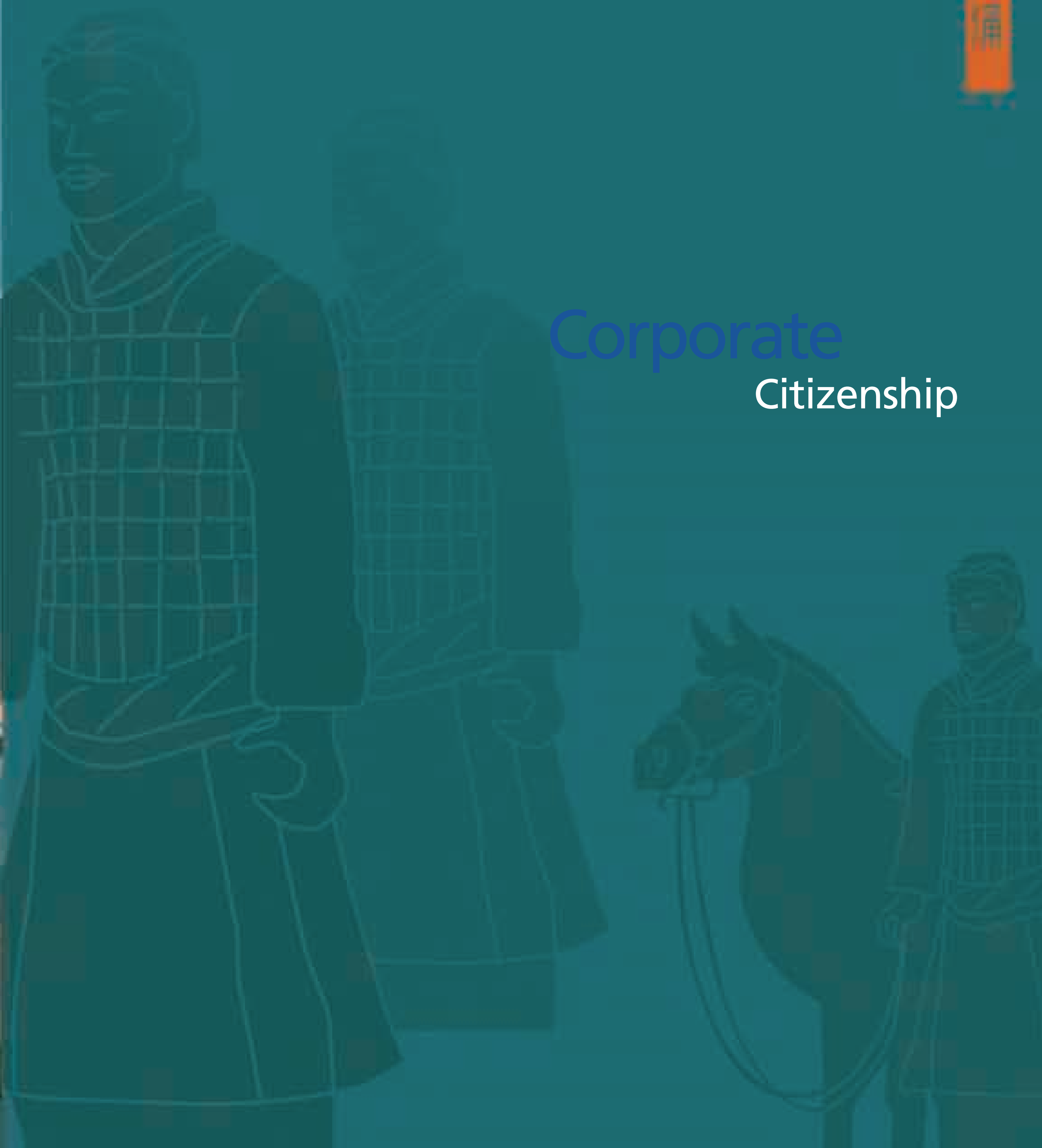
Organization Chart of China Overseas Land & Investment Limited



* *The Board of Directors consists of one non-executive director and four independent non-executive directors.*

\# *The Board of Directors consists of eight executive directors who are responsible for different regional business and departments.*

Corporate Citizenship



Corporate Citizenship

Volunteers paid a visit to the Xinjian Special Education School of Dujiangyan City in the activity "China Overseas Summer Camp for Mainland & Hong Kong Youth, 2010"co-sponsored with TREATS, a charitable organization in Hong Kong, under the project of "Integration Journey- China Overseas 2010 ".

Staffs of the Group visited the China Overseas Sanquan Hope School with love and care.

"To serve the community" has been the corporate mission of the Group for the past 30 years. The Group continues to uphold its corporate social responsibility and to share its success with the community, its shareholders, business associates and staff. The Group shows its concern and care for underprivileged groups through its active participation in public charity and community services. The Group indeed has the deepest concern for the community, delivers the most sincere services to its customers, provides a handsome return to its shareholders and is always concerned for the well being of its staff.

To date, the Group has donated over HK$120 million for poverty alleviation, educational subsidies, public charity and similar activities including building of six China Overseas Hope Schools in mainland China. As a property developer, the Group develops premium quality properties that emphasise environmental protection, energy conservation and sustainability of the natural environment. During the construction process, design, development and management of projects, the Group strives to apply "low-carbon construction" techniques that help build a green community.

The brand of "海無涯，愛無疆" ("The sea has no limit and love has no boundary") has been successfully established and the Group was acknowledged as one of the "Top 20 Corporate Socially Responsible Property Enterprises in China" for two consecutive years. In July, the Company became a constituent stock of the Hang Seng Corporate Sustainability Index. This reflects recognition of the Group's efforts in corporate sustainability including environmental protection, social responsibility and corporate governance.

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

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

Charitable Activity

Charity Donation

Each year the Group continues to organize a large team to join the "Community Chest Walks for a Million" event, the largest charity activity in Hong Kong. During 2010, the Group shows concern to needy by organizating donation activities for the victims of the Guangxi drought and the Yushu earthquake. During the year, the city offices of China Overseas Property actively participated in local charity activities.

Educational Contributions

The Group has the target of donating one Hope School every year. The China Overseas Shaling Hope School sponsored by the Group was completed in December 2010. The school has a full set of facilities and can take up to 1,000 students.

As well as financial contribution, the Group continues to actively promote communication between its customers, staff and business associates and the teachers and students in all the China Overseas Hope Schools. We believe that by showing care and concern to the students, they will grow up healthily and with a more positive relationship with the community. The Group will continue to contribute towards education in the countryside and less developed areas in China so as to improve the education environment of the poor students in the territory and to bring more hope to the children there.

Voluntary Work

The China Overseas charity team actively participates in various community services to help build a more harmonious society in Hong Kong, displaying the Group's commitment to discharging its corporate social responsibility. This includes providing free tuition classes to children of new immigrant families, low-income families and single-parent families in Shamshuipo district. For the second consecutive year, on International Women's Day, Group staff joined the "Pamela Youde Nethersole Eastern Hospital Art in the Hospital Event" organized by a charitable organization. Through this event, the environment of the hospital was beautified and the patients had the opportunity to express themselves artistically and vest their anxieties.

China Overseas Cup Table Tennis Competition 2010 was held in Jinan, providing staffsacross the regions an opportunity to strengthen their friendship and share with each other.

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

Human Resources and Staff Development

Human Resources Strategy

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

Human Resources Management

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

Employees

At the end of 2010, the Group had a total of 13,991 staff, including 2,148 in the property business, 11,382 in property management, 461 in Hua Yi Design. By geographical location, 1,434 employees were working in Hong Kong and Macau and 12,557 employees were based in mainland China.

Staff Training and Development

The Group encourages and supports the pursuit of personal enhancement and life-long learning by its entire staff. In 2009 we launched a training website that was warmly welcomed and hence actively used by staff at all levels. In 2010 a total of 945 trainings of various types, with 18,192 staff attending. This allowed staff from all levels to share information and knowledge in the different areas of the Group, and to enhance their management and technical capacity. Since April 2008 to end of 2010, the Nankai – China Overseas EMBA have conducted 17 seminars. The EMBA course has proven an important new path to training up new senior management for the Group, thus providing a solid human resource foundation for the Group's sustainable development.

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

After assiduous promotion in recent years, the "Sons of the Sea" and "Sea's Recruits" schemes have become recognised human resource brands in the mainland property industry. Staff recruited through these two schemes has steadily become an important element supporting the sustainable and stable development of the Group. In 2010, over 200 graduates from leading universities in China were recruited through the "Sons of the Sea" scheme and over 500 highly capable staffs were recruited through the "Sea's Recruits" scheme. Ample human resources were recruited and this had effectively resolved the staff shortage problem typically encountered by a rapidly developing organisation like China Overseas.

Environmental Protection

The Group widely uses low-carbon and environment-friendly modern construction skills and techniques, materials and equipment in order to enhance energy utilization during construction and to build a healthy living environment for the residents. The Group adheres to its mission of protecting the natural environment, promoting reduced energy consumption and building a harmonious community. To this end the Group includes environmental aspects such as a "low carbon footprint" and "green construction technology" in the design and construction of its property projects. The majority of the Group's development projects meet the national principles for green construction in terms of conversation of land space, energy, water and materials, interior environment technologies, green operating methods and project management. To promote staff awareness of the need to protect the environment, the Group launched a series of environmental protection activities including "China Overseas Environmental Protection Day", the "China Overseas Garden Scheme", and "Walk for the Environment organized by the Conservancy Association". On estates managed by the Group's property management companies, the concept of environmental protection has become widespread.

The Group's management and employees took part in the Walk for the Environment organized by the Conservancy Association. It provided an opportunity for the staff to get closer to the nature and promote environmental protection awareness.

Accolades & Awards 2010

China New Vision of Real Estate: Top 10 Public Welfare Activities of Brand Property Companies

China Overseas Property
by www.sohu.com and www.focus.cn

Top 10 Shenzhen Property Enterprises with High Credit in 2010

China Overseas Property Group Company Limited
by Shenzhen Branch of Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and www.people.com.cn under the People's Daily

2009 Top 100 Tax-paying Enterprise

China Overseas Property Group Company Limited
by People's Government of Futian District, Shenzhen City

Best Interior Design Award of International Property Award (Asia Pacific) 2010

Olympic City, Shenzhen
by International Property Award Committee (UK)

Best High-rise Architecture Award of International Property Award (Asia Pacific) 2010

Windsor Pavilion, Beijing
by International Property Award Committee (UK)

Best Architecture Award of International Property Award (Asia Pacific) 2010

Villa Utopla, International Community, Chengdu
Mt. Riviera, Hangzhou
Manor Park, Ningbo
by International Property Award Committee (UK)

Top 20 Corporate Socially Responsible Real Property Enterprises in China in 2010

China Overseas Property
by China Property and Housing Research Community of Ministry of Housing and Urban-Rural Development & Economic Observer

A constituent stock of the Hang Seng Corporate Sustainability Index

China Overseas Land & Investment Limited
by Hang Seng Indexes Company Limited

2010 Leading Brand of China Real Estate Companies

China Overseas Land & Investment Limited
by China Real Estate TOP 10 Research Team

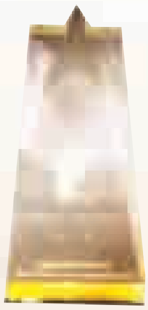
Accolades & Awards 2010 (continued)

2010 China Blue Chip Property Developer

China Overseas Land & Investment Limited
by Economic Observer

Hongkong Business Awards – China Company Award

China Overseas Land & Investment Limited
by DHL & South China Morning Post

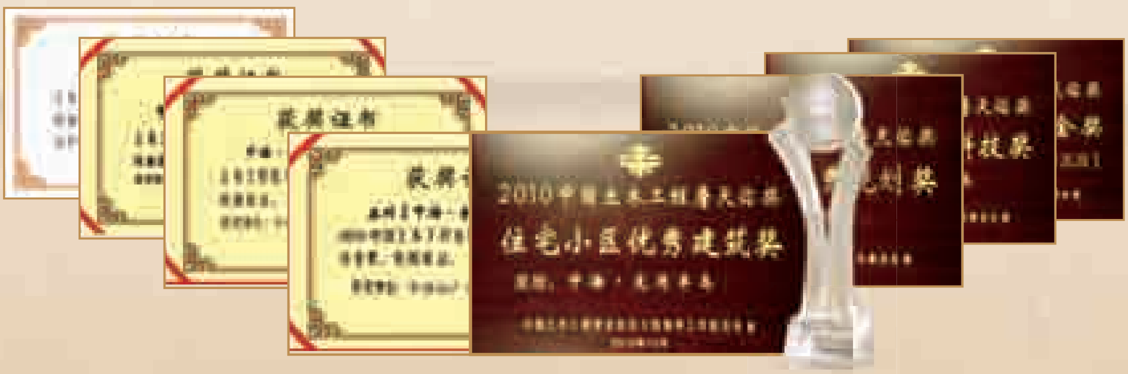


Hong Kong Outstanding Enterprises 2010

China Overseas Land & Investment Limited
by Economic Digest

Top 1,000 Chinese Enterprises in the Globe – Best Results Enterprise Award(Hongkong)

China Overseas Land & Investment Limited
by Yazhou Zhoukan



2010 Zhan Tianyou Excellent Community Planning Award

Olympic City, Shenzhen
The Metropolis, Beijing
by Working Guidance Committee of Residential Construction of China Civil Engineering Society

2010 Zhan Tianyou Resident Building Excellence Awards

Dragon Peninsula, Chengdu
by Working Guidance Committee of Residential Construction of China Civil Engineering Society

2010 Zhan Tianyou Resident Outstanding Technology Award

Classic Palais, Dalian
Park Royal, Guangzhou
by Working Guidance Committee of Residential Construction of China Civil Engineering Society

2010 Zhan Tianyou Resident Golden Award

The Arch, Nanjing
Xujiang Palace, Suzhou
Mt. Riviera, Hangzhou
by Working Guidance Committee of Residential Construction of China Civil Engineering Society

2010 Zhan Tianyou Outstanding Community Environment Award

Fairyland, Zhongshan
by Working Guidance Committee of Residential Construction of China Civil Engineering Society

Investor Relations

The Group is committed to maintaining and strengthening communications with shareholders and investors on a timely and effectively basis. Through enhancing business transparency, shareholders and investors of the Group could better understand its business development, corporate strategy and vision.

At the annual and interim results announcement and analyst meeting, results are announced and Group management answer questions on corporate strategies, guidance and many other important issues. After results announcement, the Group participates in global roadshows to meet and communicate with worldwide investors.

Through our website and by email the Group releases to investors and media monthly sales data, details of new land acquisitions, and other major operational and business information. Our Corporate Communications department arranges conference calls and corporate visits to promptly respond to investors' enquiries, and provides feedback from capital markets to the board of directors and management of the Group, in an accurate and timely manner.

In 2010, the Group arranged more than 200 site visits to our property projects in Mainland China, conducted over 300 visits or telephone conferences, and participated in more than 20 investor conferences organized by investment banks. Through investor relations activities, the interaction between the Group and investors has been deepening and the Group's operating and business transparency is further enhanced.

Major Investor Relations Activities in 2010

Month	Activities
January	UBS Greater China Conference 2010 HSBC Property Day 2010
March	Announcement of 2009 annual results • Press conference • Briefing with analysts Post Results Roadshow in HK, Europe and US
April	Post Results Roadshow in Japan and Singapore Macquarie — China Conference 2010 Daiwa Real Estate Conference CITIC Securities Conference
May	Morgan Stanley — Hong Kong Investor Summit The 8th BOCI Investors Conference 15th CLSA China Forum
June	J.P. Morgan China Conference RBS China Access
July	Credit Suisse China Property Day
August	Announcement of 2010 interim results • Press conference • Briefing with analysts Post Results Roadshow in HK and Singapore
September	UBS China Property Day 2010 CLSA Investors Forum
October	BNP 17th Annual China Conference Citi Greater China Investor Conference 2010
November	China Investment Frontier Conference 2010 — Goldman Sachs China Investment Summit — Bank of America Merrill Lynch Daiwa Investment Conference HK 2010 Samsung Securities — Asian Games Conference Macquarie 2010 Global Property Series
December	Standard Chartered Property Corporate Access Days

Corporate Governance Report

(A) General

The Company always places importance on the interests of the shareholders and other stakeholders. The Board believes that its prime duty is to protect and best utilise resources in the Group and thereby to enhance the value for shareholders. A high level of corporate governance is the key to improving corporate profit and facilitating sustainable development. Thus the Group has always been striving to improve corporate governance standards at three levels. Firstly, the Company ensures compliance with respective laws, regulations and the highest standard of ethics. Secondly, the Board continues to strengthen systematic mechanisms to ensure that all decisions are in the interests of shareholders. Lastly, the Company enhances its core competitiveness and stakeholders' value under the principles of corporate governance. The Board believes that such are essential for efficient operation of the Group's business and the safeguard of its assets and shareholders' interests.

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

In the past years, the Group has done its best to promote corporate transparency, to enhance the independence of the Company's operations, to establish an effective accountability system, and to improve the Group's internal control and risk management.

(B) Corporate Governance Practice

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

(C) The Board of Directors

C(a) Board composition

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

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

- one Non-Executive Director — Mr. Wu Jianbin (Vice Chairman); and

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

The Company not only complies with the requirement of the Listing Rules that at least one of the Independent Non-Executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, it has also adopted the Recommended Best Practices that Independent Non-Executive Directors should represent at least one-third of the Board.

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

The Directors' biographical details are set out on pages 54 to 62 of the report.

C(b) Confirmation of independence

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

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

C(c) Responsibilities and Division of Work

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

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

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

C(d)Internal Control

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

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

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

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

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

C(e)Board Meetings and Committee Meetings

The Board convenes meetings on a regular basis. The date of each meeting is decided in advance so that most of the Directors entitled to attend the meetings have the chance to attend such meetings in person. Draft notice and agenda are sent to all Directors for comments 7 days before formal notices are issued so as to allow the Directors sufficient time to propose matters for inclusion in the agenda. To ensure that all Directors are properly informed on matters to be discussed at each meeting, documents in relation to the meeting are sent to each Director at least three days prior to the meeting.

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

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

C(f) Appointment, re-election and removal

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

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

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

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

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

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

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

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

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

(D) The Committees of the Board

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

To enhance independence of the Committees, all the three Committees under the Board have an Independent Non-Executive Director acting as Chairman and with the Independent Non-Executive Directors making the great majority of the Committees.

D(a) Audit Committee

The Audit Committee is composed as follows:

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

* *Independent Non-Executive Director*

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

D(b) Remuneration Committee

The Remuneration Committee is composed as follows:

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

* *Independent Non-Executive Director*

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management; determining the remuneration of all Executive Directors and senior management; and making recommendations to the Board on the remuneration of Non-Executive Directors. With reference to the remuneration policy of the Group, the overall performance of the Group and individual skills, performance and contribution, the human resources division recommends to the Remuneration Committee on the remuneration of directors and senior management of the Company after reviewing the remuneration data of the market, the prevailing economic environment and the market trend. The Remuneration Committee considers the recommendation from human resources division and approves the same if they deem fit. During the year, the Remuneration Committee has duly discharged the duties mentioned above.

D(c) Nomination Committee

The Nomination Committee is composed as follows:

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

* *Independent Non-Executive Director*

The Nomination Committee is mainly responsible for making recommendations to the Board on matters in relation to the appointment or re-appointment of Directors as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-Executive Directors. Biographical details of proposed candidates to directorship are passed to all members of the Nomination Committee for consideration. Factors that the Nomination Committee considers during the selection process include the qualifications, skills, knowledge, independence and past performance of candidates. During the year, the Nomination Committee has duly discharged the duties mentioned above.

(E) Attendance at Board or Committee meetings during the year 2010

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

(F) Model Code for Directors' Share Dealing

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The Directors confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2010.

(G) Conflict of Interest and Responsibility for the Financial Statements

G(a) Potential conflict of interest involving a substantial shareholder or a Director

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

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

G(b) Directors' responsibilities for the Financial Statements

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

G(c) Auditors' Remuneration

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

Deloitte Touche Tohmatsu was re-appointed as the external auditors with shareholders' approval at the last AGM. During the year, HK$6,800,000 were paid to the external auditors by the Group for audit service and HK$1,260,000 for other services. The Board will table a resolution at the 2011 AGM, proposing to re-appoint Deloitte Touche Tohmatsu as external auditors of the Group.

(H) Senior Management

There are 9 members of the Senior Management in the Company, their biographical details are set out on pages 63 to 64 of the report, and their respective interests in shares of the Company as at 31 December 2010 are set out below:

Name of senior management	Number of shares held	Percentage of issued share capital#
Mr. Ge Yafei	750,000	0.009%
Mr. Hu Ping	3,170,000	0.039%
Mr. Zhang Yi	51,095	0.001%
Mr. Qu Yonghai	0	0.000%
Mr. Qi Dapeng	100,000	0.001%
Mr. Yan Jian Guo	0	0.000%
Mr. Xiang Hong	180,480	0.002%
Mr. Guo Yong	550,000	0.007%
Mr. Kan Hongbo	696,800	0.009%
Total	5,498,375	0.067%

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2010 (8,172,519,077 ordinary shares).

(I) Relations with Shareholders

I(a) Substantial shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2010 are set out in the "Substantial Shareholders' Interests in Securities" section of "Report of Directors" of this report.

I(b) Annual General Meeting and Communication with Shareholders

The Company is keen to promote two-way communications both with its institutional investors and its private shareholders. The AGM provides a useful platform for shareholders to exchange views with the Board. An AGM circular containing Notice of AGM was distributed to all shareholders at least 20 clear business days prior to the 2010 AGM, setting out details of each proposed resolution and other relevant information as required by the Listing Rules. Directors were present at the AGM to answer any questions raised by shareholders.

Directors were re-elected by means of a separate resolution in 2010 AGM. A separate resolution was proposed in respect of other substantially separate issue. The voting on all resolutions was conducted by poll and such results were posted on the website of the Stock Exchange and the Company's website.

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

(J) Financial Calendar

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

Financial Information

Contents

Group Financial Summary

Key Financial Information and Ratios

Financial Year	2006 *HK cents*	2007 *HK cents*	2008 *HK cents*	2009 *HK cents*	**2010** ***HK cents***
Earning per share	35.5	56.9	64.2	91.6	**151.4**
Dividends per share	10	12	13	20	**27**
— Interim dividend	4	5	6	7	**10**
— Final dividend	6	7	7	13	**17**
Equity attributable to equity holders per share	220.5	339.4	423.1	515.3	**669.7**
Net debt to shareholders' funds (%) $\frac{\text{Net debt}}{\text{Shareholders' funds}}$	34.0	30.2	46.8	22.4	**22.8**
Interest cover (times) $\frac{\text{Operating profit-Interest income}}{\text{Interest expenses}}$	6	12	7	16	**18**

Key Profit and Loss Items

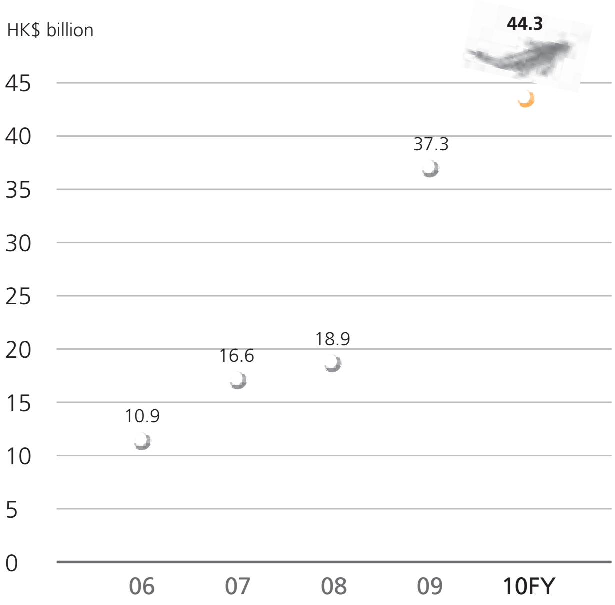
For the year ended 31 December	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	**2010** ***HK$'000***
Turnover	10,910,234	16,632,553	18,892,373	37,321,630	**44,313,014**
Operating profit	3,111,364	7,101,633	9,040,811	12,259,248	**20,693,562**
Profit attributable to shareholders	2,370,750	4,179,579	5,048,637	7,468,928	**12,373,151**

Key Statement of Financial Positions Items

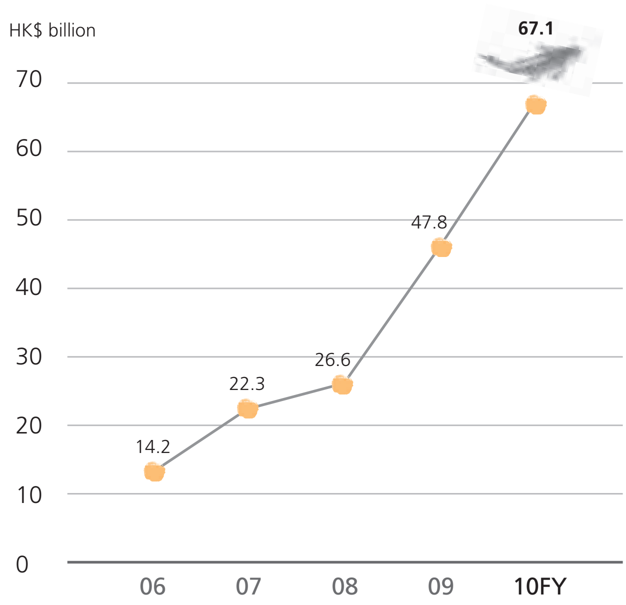
As at 31 December	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000* (Restated)	2009 *HK$'000* (Restated)	**2010** ***HK$'000***
Fixed assets*	3,142,911	4,867,116	6,709,034	8,001,422	**14,373,063**
Long-term investments	2,166,857	2,660,587	2,130,890	2,760,515	**11,557,227**
Other non-current assets	853,726	3,186,905	4,857,092	10,097,248	**10,422,815**
Net current assets	18,288,562	30,174,160	41,943,667	40,463,396	**64,496,939**
Non-current assets	(9,562,647)	(15,098,666)	(22,756,295)	(19,512,950)	**(42,907,903)**
Net assets	14,889,409	25,790,102	32,884,388	41,809,631	**57,942,141**

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

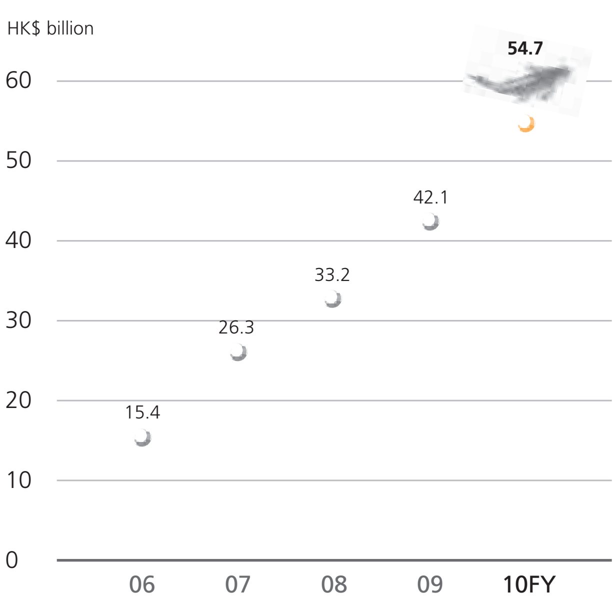
Turnover



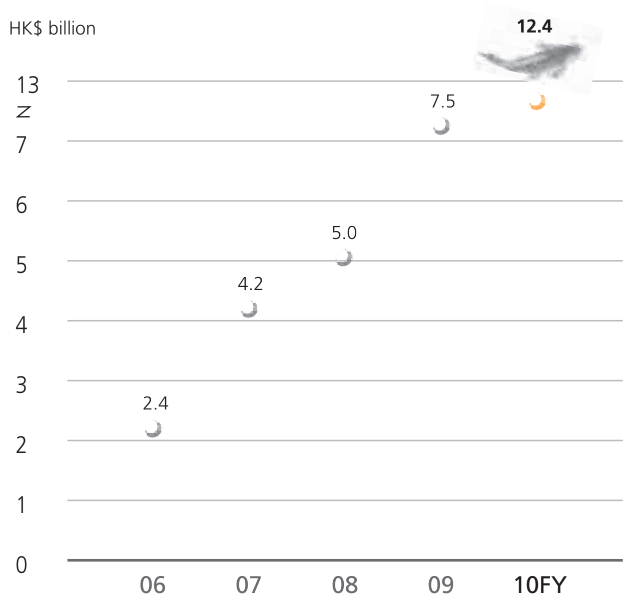
Sales



Equity Attributable to Equity Holders



Growth in Net Profit



Report of Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the ''**Group**'') for the year ended 31 December 2010.

Principal Activities

The Company is principally engaged in investment holding, property investment and provision of management services to its subsidiaries. The activities of the Company's principal subsidiaries, associates and jointly controlled entities are set out in notes 54, 20 and 21 to the financial statements respectively.

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

Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement and statement of comprehensive income on pages 116 and 117 respectively.

An interim dividend of HK10 cents per share was paid on 5 October 2010. The board of directors recommends the payment of a final dividend of HK17 cents per share (2009: HK13 cents per share) to shareholders whose names appear on the Register of Members of the Company on 27 May 2011. Together with the interim dividend of HK10 cents per share (2009: HK7 cents per share), dividends for the year will amount to a total of HK27 cents per share. The final dividend will be payable on 15 June 2011.

Share Premium and Reserves

Movements during the year in the share premium and reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 121 and note 36 to the financial statements respectively.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 231 and 232.

Major Properties

Details of the major properties and property interests of the Group at 31 December 2010 are set out on pages 233 to 236.

Tangible Fixed Assets

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of HK$1,989,004,000 which has been credited directly to the consolidated income statement.

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

Share Capital

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

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

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

Borrowings and Interest Capitalised

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

Interest capitalised by the Group during the year in respect of development properties amounted to approximately HK$733,176,000.

Directors

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

Executive Directors

Mr. Kong Qingping *(Chairman)*
Mr. Hao Jian Min *(Vice Chairman and Chief Executive Officer)*
Mr. Xiao Xiao *(Vice Chairman)*
Mr. Chen Bin
Mr. Dong Daping
Mr. Nip Yun Wing
Mr. Luo Liang
Mr. Lin Xiaofeng

Non-Executive Director

Mr. Wu Jianbin *(Vice Chairman)*

Independent Non-Executive Directors

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

In accordance with Article 105(A) and Article 96 of the Company's Articles of Association, Mr. Hao Jian Min, Mr. Wu Jianbin, Mr. Chen Bin, Dr. Li Kwok Po, David and Dr. Fan Hsu Lai Tai, Rita shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

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

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

With effect from 1 February 2011, the annual salaries of Mr. Nip Yun Wing was changed from HK$2,160,000 to HK$2,256,000. With effect from 1 April 2011, the annual salaries of Mr. Kong Qingping, Mr. Hao Jian Min, Mr. Xiao Xiao, Mr. Chen Bin, Mr. Dong Daping, Mr. Nip Yun Wing, Mr. Luo Liang and Mr. Lin Xiaofeng will be changed from HK$4,900,000, HK$3,340,000, HK$3,040,000, HK$1,750,000, RMB915,600, HK$2,256,000, RMB986,400 and RMB715,200 to HK$5,390,000, HK$3,674,000, HK$3,344,000, HK$2,160,000, RMB986,400, HK$2,496,000, RMB1,058,400 and RMB774,000 respectively. Starting from 1 October 2010, Mr. Wu Jianbin received a director's fee of HK$500,000 per annum and would not be entitled to monthly salary, allowances, benefits-in-kind and performance-related bonus. The director's fee of Mr. Wu will be adjusted to HK$550,000 per annum with effect from 1 April 2011. The directors' fees of Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy and Dr. Fan Hsu Lai Tai, Rita remain unchanged.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Organization" on pages 54 to 64 of this Annual Report.

Information on Share Options of the Company

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

(1) Movement of share options during the year ended 31 December 2010:

		Number of underlying shares comprised in options				
Name	**Date of Grant**	**Outstanding at 01.01.2010**	**Adjustment/ Granted during the year**	**Exercised during the year**	**Cancelled / Lapsed during the year**	**Outstanding at 31.12.2010**
Directors						
Mr. Kong Qingping	18.06.2004 (vi)	1,359,334	—	—	—	**1,359,334**
		1,359,334	**—**	**—**	**—**	**1,359,334**
Mr. Hao Jian Min	18.06.2004 (vi)	582,572	—	(582,572)	—	**0**
		582,572	**—**	**(582,572)**	**—**	**0**
Mr. Xiao Xiao	18.06.2004 (vi)	404,564	—	(404,564)	—	**0**
		404,564	**—**	**(404,564)**	**—**	**0**
Mr. Wu Jianbin	18.06.2004 (vi)	582,572	—	(582,572)	—	**0**
		582,572	**—**	**(582,572)**	**—**	**0**
Mr. Chen Bin	18.06.2004 (vi)	323,651	—	(323,651)	—	**0**
		323,651	**—**	**(323,651)**	**—**	**0**
Mr. Dong Daping	18.06.2004 (vi)	80,913	—	(80,913)	—	**0**
		80,913	**—**	**(80,913)**	**—**	**0**
Mr. Lin Xiaofeng	18.06.2004 (vi)	161,825	—	(161,825)	—	**0**
		161,825	**—**	**(161,825)**	—	**0**
	Sub-Total	**3,495,431**	**—**	**(2,136,097)**	**—**	**1,359,334**
Aggregate of other employees*	24.10.2001 (v) 18.06.2004 (vi)	— 2,815,762	— —	— (1,359,333)	— —	**—** **1,456,429**
	Sub-Total	**2,815,762**	**—**	**(1,359,333)**	**—**	**1,456,429**
	Grand Total	**6,311,193**	**—**	**(3,495,430)**	**—**	**2,815,763**

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

(2) At 31 December 2010, the options granted to subscribe for 2,815,763 Shares remained outstanding, representing approximately 0.03% of the issued share capital of the Company at that date. No options to subscribe for Shares have been cancelled during the year ended 31 December 2010.

As at the date of this annual report, 2,815,763 Shares were available for issue under the Share Option Scheme, representing approximately 0.03% of the issued share capital of the Company at that date.

(3) During the year ended 31 December 2010, options to subscribe for a total of 3,495,430 Shares (including options exercised by the Directors) of the Company were exercised, particulars as follows:

Date of Exercise	**24.10.2001 (v)**	**18.06.2004 (vi)**	**Total**	**Weighted average closing price immediately before the exercise** *(HK$)*
06.05.2010	0	1,367,426	1,367,426	15.70
25.05.2010	0	1,314,832	1,314,832	15.56
07.06.2010	0	388,381	388,381	15.51
08.07.2010	0	161,825	161,825	15.46
21.10.2010	0	182,053	182,053	15.92
01.11.2010	0	80,913	80,913	15.93
Total:	**0**	**3,495,430**	**3,495,430**	

Notes:

(a) Particulars of share options granted:

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

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

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

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

Directors' and Chief Executive's Interests in Securities

As at 31 December 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 and Underlying Shares of the Company

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

Name of director	Number of shares held	Number of Underlying shares comprised in Options *(Note 1)*	Total	% of shares in issue *(Note 2)*
Mr. Kong Qingping	7,435,760	1,359,334	8,795,094	0.108%
Mr. Hao Jian Min	5,353,172	0	5,353,172	0.066%
Mr. Xiao Xiao	1,935,244	0	1,935,244	0.024%
Mr. Wu Jianbin	2,619,372	0	2,619,372	0.032%
Mr. Chen Bin	1,371,971	0	1,371,971	0.017%
Mr. Dong Daping	534,353	0	534,353	0.007%
Mr. Luo Liang	750,080	0	750,080	0.009%
Mr. Lin Xiaofeng	1,271,825	0	1,271,825	0.016%
Dr. Li Kwok Po, David	10,000,000	0	10,000,000	0.122%

(b) Long Positions in Shares and Underlying Shares of the Associated Corporations

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

(i) China State Construction International Holdings Limited

Name of director	Number of shares held	Number of Underlying shares comprised in Options *(Note 3)*	Total	% of shares in issue *(Note 4)*
Mr. Kong Qingping	2,988,800	3,160,834	6,149,634	0.206%
Mr. Hao Jian Min	806,240	1,843,820	2,650,060	0.089%
Mr. Xiao Xiao	0	2,801,188	2,801,188	0.094%
Mr. Wu Jianbin	3,306,240	1,843,820	5,150,060	0.173%
Mr. Chen Bin	1,437,696	1,264,334	2,702,030	0.091%
Mr. Dong Daping	1,658,447	0	1,658,447	0.056%
Mr. Luo Liang	2,942,891	0	2,942,891	0.099%
Mr. Lin Xiaofeng	614,607	0	614,607	0.021%
Dr. Li Kwok Po, David	100,000	0	100,000	0.003%

(ii) China Overseas Grand Oceans Group Limited

Name of director	Number of shares held	Total	% of shares in issue *(Note 5)*
Mr. Hao Jian Min	2,000,000	2,000,000	0.261%

Notes:

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

2. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2010 (i.e. 8,172,519,077 shares).*

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

4. *The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 31 December 2010 (i.e. 2,979,458,825 shares).*

5. *The percentage has been adjusted based on the total number of shares of China Overseas Grand Oceans Group Limited in issue as at 31 December 2010 (i.e. 767,543,263 shares).*

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

Arrangements to Acquire Shares or Debentures

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

Directors' Interest in Competing Business

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

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

Substantial Shareholders' Interests in Securities

At 31 December 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 and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of shares and underlying shares held			% of shares in issue *(Note 1)*			Capacity
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
Silver Lot Development Limited ("**Silver Lot**") *(Note 2)*	499,276,928	—	—	6.11%	—	—	Beneficial owner
China Overseas Holdings Limited ("**COHL**")	3,837,380,380	—	—	53.06%	3.00%	—	Beneficial owner
	499,276,928	245,197,740	—			—	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("**CSCECL**") *(Note 3)*	4,336,657,308	245,197,740	—	53.06%	3.00%	—	Interest of controlled corporation
China State Construction Engineering Corporation ("**CSCEC**") *(Note 3)*	4,336,657,308	245,197,740	—	53.06%	3.00%	—	Interest of controlled corporation

Notes:

1. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2010 (i.e. 8,172,519,077 shares).*
2. *Silver Lot is a direct wholly owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in 499,276,928 Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.*
3. *COHL is a direct wholly owned subsidiary of CSCECL, which in turn is a direct 54.07%-owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in 4,336,657,308 Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2010.

Major Customers and Suppliers

For the financial year ended 31 December 2010, the five largest customers of the Group accounted for approximately 2% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 21% of the Group's total purchases and purchase from the largest supplier include therein amounted to approximately 10% for the year.

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

Connected, Continuing Connected and Related Party Transactions

Details of the connected, continuing connected and related party transactions are set out on pages 97 to 114. Save as the related party transactions disclosed in note 52 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (''**MPF Scheme**'') for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. Pursuant to the requirement of the PRC government, the Company's subsidiaries in Mainland China have participated in the retirement benefit scheme. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately HK$51 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Public Float

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

Donations

During the year, the Group made charitable and other donations amounted to approximately HK$8,651,000.

Audit Committee

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 75 to 83.

Auditor

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

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

On behalf of the Board

Kong Qingping
Chairman

Hong Kong, 17 March 2011

Connected, Continuing Connected and Related Party Transactions

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

"All Winwin"	All Winwin Holdings Limited, a company incorporated under the laws of the British Virgin Islands. It is held as to 80% by Quality Time, a wholly-owned subsidiary of COHL, and therefore, a connected person of the Company
"associate(s)", "connected person(s)", "subsidiary"	the terms "associate(s)", "connected person(s)" and "subsidiary" shall have the meanings as defined in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day other than a Saturday or Sunday, on which banks in Hong Kong and Macau are open for business generally
"CCEMacau"	China Construction Engineering (Macau) Company Limited, a company incorporated in Macau with limited liability and a wholly-owned subsidiary of CSC
"CCEMacau Engagement Agreement"	the engagement agreement entered into between the Company and CCEMacau on 22 November 2005 in respect of the engagement by the Group of CCEMacau as construction contractor for the Group in Macau as set out in the joint announcement of COLI and CSC dated 22 November 2005
"COHK" or "CSCL"	China State Construction Limited (formerly known as China Overseas (Hong Kong) Limited), a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of CSCIHL
"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, over 50% of the issued share capital of the Company
"COLI" or "Company"	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688)
"COLI Group" or "Group"	the Company and its subsidiaries from time to time
"COLI Sub"	Generate Gold Investments Limited, a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of the Company
"Connection Services Agreement"	the agreement between CSC and the Company dated 18 June 2010 in relation to the provision of connection services for heating pipes for Project(s)
"CORB"	China Overseas Road & Bridge Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"COS"	China Overseas Security Services Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of COLI
"COTHL"	China Overseas Technology Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CORB

"COTHL Agreement"	the agreement dated 30 September 2010 between CORB and Ever Power in relation to the sale and purchase of 100% of the issued share capital of COTHL and the Loan
"COTHL Transaction"	the sale and purchase of 100% of the issued share capital of COTHL and the Loan under the COTHL Agreement, and the transactions contemplated thereunder
"CSC Engagement Agreement"	the engagement agreement entered into between the Company and CSC on 22 November 2005 in respect of the engagement by the Group of CSC Group as construction contractor for the Group in Hong Kong
"CSC Group Engagement Agreement"	the engagement agreement entered into between the Company and CSC on 2 April 2009 in respect of the engagement by the Group of the CSC Group as construction contractor for the Group in the PRC, Hong Kong and Macau, details of which are set out in the announcement jointly issued by the Company and CSC on 2 April 2009
"CSCEC"	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company and CSCIHL
"CSCECL"	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (the shares of which are listed on the Shanghai Stock Exchange on 29 July 2009) which holds the entire interest of COHL and is held as to 94% by CSCEC before 27 July 2009 , and above 52.64% thereafter
"CSCECL Group"	CSCECL and its subsidiaries (excluding the Company, CSC and their respective subsidiaries) from time to time
"CSCECL Group Engagement Agreement"	the engagement agreement entered into between the Company and CSCECL on 2 April 2009 in respect of the engagement by the Group of the CSCECL Group as construction contractor for the Group in the PRC
"CSCIHL" or "CSC"	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability on 25 March 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSCIHL Group" or "CSC Group"	CSCIHL and its subsidiaries
"Directors"	the directors of the Company
"Ever Power"	Ever Power Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CSC
"First Closing"	the first closing of the Fund, i.e. the date on which the investors (including the Company, ICBCIIM, All Winwin or their respective affiliates) with aggregate capital commitments to the Fund of not less than US$250 million (or such other amount as the Company, ICBCIIM and All Winwin may agree in writing) are admitted as limited partners of the Fund

"Fund"	Harmony China Real Estate Fund, L.P., an exempted limited partnership established and registered under the laws of the Cayman Islands
"Fund Management Company"	COLI ICBCI China Investment Management (Cayman Islands) Limited, a company incorporated under the laws of the Cayman Islands. It is responsible for the day-to-day operations and management of the Fund
"General Partner"	COLI ICBCI China Real Estate GP Limited, a company incorporated under the laws of the Cayman Islands. It conducts and directs the business and affairs of the Fund and manages and controls the Fund's operation
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"ICBCIIM"	ICBC International Investment Management Limited, a company incorporated under the laws of the British Virgin Islands
"ICBCIIM Sub"	Create Max Limited, a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of ICBCIIM
"Independent Shareholders"	the shareholders of the Company, other than CSCEC, CSCECL, COHL, CSCIHL and their respective associates
"Investment Advisor"	COLI ICBC China Investment Management Limited, a company incorporated under the laws of Hong Kong. It provides investment advisory and other administrative services to the Fund Management Company
"JCE"	jointly controlled entity, namely, Elite Mind International Limited, which was incorporated in Hong Kong and is accounted for as a jointly controlled entity of the Group and the Wharf Group
"Joint Venture Company"	a limited liability company to be established in the PRC used for the purpose of owning and developing the Tianjin JV Land
"JV Entities"	the Fund Management Company, the General Partner, the Investment Advisor and the Special Limited Partner
"JV Fund Agreement"	the joint venture agreement dated 17 March 2010 entered into between the Company, All Winwin, ICBCIIM, ICBCIIM Sub and COLI Sub in relation to the establishment and management of the JV Entities and the Fund
"JV Fund Transaction"	the entering into of the JV Fund Agreement and the transactions contemplated thereunder
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the loan owing by COTHL to the Group as at completion of the COTHL Agreement, and as at the date of the COTHL Agreement, of an amount of approximately HK$910 million
"Macau"	the Macao Special Administrative Region of PRC

"Main Board"	the Main Board of the Stock Exchange
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Master Lease Agreement"	the agreement entered into by COLI and CSC on 2 April 2009 in respect of leasing of the Properties by the CSC Group from the COLI Group
"Master Security Services Agreement"	the agreement dated 15 May 2006 entered into between COS, an indirect wholly-owned subsidiary of COLI, and CSCIHL in relation to the provision of security services by COS to the worksites of CSCIHL and/or its subsidiaries
"Master Tenancy Agreement"	the agreement dated 15 May 2006 entered into between On Success, an indirect wholly-owned subsidiary of COLI, and COHK, an indirect wholly-owned subsidiary of CSCIHL, in relation to the leasing of certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries
"MOP"	Macau Pataca, the lawful currency of Macau
"New Cap"	the maximum total contract sum of the construction contracts that may be awarded by the Group to the CSCECL Group for each year/period under the New CSCECL Group Engagement Agreement
"New CSCECL Group Engagement Agreement"	the new engagement agreement dated 30 March 2010 between the Company and CSCECL in respect of the engagement by the Group of the CSCECL Group as construction contractor for the Group in the Mainland China
"new Master Security Services Agreement"	the agreement entered into by COLI and CSC on 2 April 2009 in respect of the engagement of members of the COLI Group which hold the relevant licenses by the CSC Group for providing security services to the work sites of the CSC Group in Hong Kong
"Omar Agreement"	the agreement dated 30 September 2010 between Peak Top and CCEMacau in relation to the sale and purchase of the Sale Interest and Shareholder's Loan
"Omar Property"	Omar Property Development Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company and is 35% owned by Peak Top
"Omar Transaction"	the sale and purchase of the Sale Interest and the Shareholder's Loan under the Omar Agreement, and the transactions contemplated thereunder
"On Success"	On Success Development Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of COLI
"Original Cap"	the maximum total contract sum of the construction contracts that may be awarded by the Group to the CSCECL Group under the CSCECL Group Engagement Agreement of RMB933.3 million for the period between 1 June 2009 and 31 December 2009, RMB1,600 million for each of the two years ending 31 December 2011 and RMB666.7 million for the period between 1 January 2012 and 31 May 2012

"Peak Top"	Peak Top Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China
"Project(s)"	real estate project(s), which is (are) located in Shenyang, developed by the Company
"Quality Time"	Quality Time Investments Ltd., a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of COHL
"RMB"	Renminbi, the lawful currency of PRC
"Sale Interest"	a 15% interest in the entire registered capital in Omar Property legally and beneficially owned by Peak Top
"SCOCE" or "SCOCL"	深圳市中海建築工程公司 (transliterated into English as Shenzhen China Overseas Construction Engineering Company) now known as 深圳中海建築有限公司 (transliterated into English as Shenzhen China Overseas Construction Limited), being a direct wholly-owned subsidiary of CSCEC at the date of the announcement
"SCOCE Engagement Agreement"	the engagement agreement entered into between COLI and SCOCE on 22 November 2005 in respect of the engagement by the Group of SCOCE as construction contractor for the Group in PRC as set out in the joint announcement of COLI and CSC dated 22 November 2005
"Shareholders"	the shareholders of the Company from time to time
"Shareholder's Loan"	an amount of approximately HK$100 million, being 15% of the Total Shareholder's Loan as at the date of the Omar Agreement
"SHTCL"	瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermoelectricity Company Limited), a company incorporated in the PRC and is a wholly-owned subsidiary of CSC
"Special Limited Partner"	COLI ICBCI China Real Estate SLP Limited, a company incorporated under the laws of the Cayman Islands. It acts as the special limited partner of the Fund and for the sole purpose of facilitating arrangements of the carried interest distributions arising from the investments of the Fund
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Framework Agreement"	the agreement entered into between the Company and Wharf dated 1 February 2010 in relation to, among other things, the joint bidding and development of the Tianjin JV Land on a 50:50 ownership basis
"Tianjin JV Land"	a piece of land in Tianjin City, the PRC with a site area of about 1.62 million square feet and a total gross floor area of about 5.26 million square feet located at the east of Tiedong Road, Hebei District (河北區鐵東路側)
"Total Shareholder's Loan"	an amount of approximately HK$680 million, being the total amount of shareholder's loan owing from Omar Property to all its shareholders
"Wharf"	The Wharf (Holdings) Limited (stock code: 4), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Wharf Group"	Wharf and its subsidiaries from time to time
"%"	per cent.

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

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

The total consideration amount payable for acquiring the land use rights of the Tianjin JV Land is RMB2,700 million (equal to about HK$3,068.2 million). Such consideration amount was the outcome of a public bidding held by 天津土地交易中心 (Tianjin Land Exchange Centre*) (an entity acting for 天津市國土資源和房屋管理局(Tianjin Municipal Bureau of Land Resources and Housing Management*)) on 1 February 2010 which was conducted in accordance with the relevant PRC laws and regulations. It represents an accommodation value on the basis of about RMB513 (equal to about HK$583.0) per square foot. Each of the Group and the Wharf Group is ultimately responsible for 50% of the total consideration.

A Joint Venture Company will be incorporated solely for the purpose of owning and developing the Tianjin JV Land, which will be developed into residential and commercial properties. The Company and Wharf has contributed a deposit in the total amount of RMB700 million (equal to or about HK$795.5 million), as required by the bidding process for the Tianjin JV Land, on a 50:50 basis. Such deposit may be applied to settle part of the purchase price for the Tianjin JV Land.

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

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

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

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

* *For identification purpose only.*

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

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

Pursuant to the JV Fund Agreement, following the holding of a board meeting of each of the JV Entities to resolve, among others, the allotment of shares in each JV Entities to COLI Sub, ICBCIIM Sub and All Winwin at par amounting to US$450,100, US$450,101 and US$100,011 respectively. Their respective shareholding percentage in each of the JV Entities will be as follows:

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

It has been agreed that the JV Entities are intended to be self-financing, and that no party (or any of its affiliates) to the JV Fund Agreement shall be obliged to contribute further funds or participate in any guarantee or similar undertaking for the benefit of the JV Entities or any of their subsidiaries (if any).

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

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

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

(i) by the written agreement of the parties;

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

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

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

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

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

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

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

Completion of the JV Fund Agreement in relation to the subscription of shares in the JV Entities by COLI Sub, ICBCIIM Sub and All Winwin took place on 8 April 2010.

(3) On 30 September 2010, Peak Top (an indirect wholly-owned subsidiary of the Company) and CCEMacau (an indirect wholly-owned subsidiary of CSC) entered into the Omar Agreement, pursuant to which CCEMacau agreed to purchase, and Peak Top agreed to sell, the Sale Interest and the Shareholder's Loan for a cash consideration of approximately HK$264 million.

Peak Top acquired 35% interests in Omar Property and 35% of the Total Shareholder's Loan in July 2010 and incurred an aggregate of MOP630 million (approximately HK$610 million) investment cost in respect of the said interest in and shareholder's loan to Omar Property (including professional fees relating to the acquisition). Omar Property owns the entire interest in a parcel of land with a total site area of approximately 6,480 square metres situated at Newly Reclaimed Land at Outer Harbour, Macau* (澳門外港新填海區) which is held for future development of a residential property project with a total estimated gross floor area of approximately 72,000 square metres.

The consideration is determined after arm's length negotiation between the parties based on the proportional original investment cost of Peak Top in respect of the Sale Interest and the Shareholder's Loan and the time value of such original investment cost at an interest rate of 2% per annum and shall be settled in cash in a lump sum within 3 Business Days after the date of completion of the Omar Agreement.

The Group is principally engaged in property development and investment. The directors of the Company consider that the Omar Transaction will facilitate the Group's further development in the property development industry as the Company can make use of CSC's expertise in property construction to achieve synergy and competitive advantage. Following completion of the Omar Transaction, the Company will indirectly hold 85% of the entire registered capital of Omar Property which will continue to be a subsidiary of the Company.

The Directors (including the independent non-executive directors) consider that the Omar Transaction has been entered into on normal commercial terms and in the ordinary course of business, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the directors of the Company has a material interest in the Omar Transaction and thus no director of the Company is required to abstain from voting on the board resolutions approving the Omar Transaction.

COHL, which is interested in approximately 53.07% of the issued share capital of the Company and approximately 62.47% of the issued share capital of CSC as at the date of the relevant announcement, is a connected person of each of the Company and CSC. The Company, Peak Top, CSC and CCEMacau are therefore associates of COHL. Accordingly, CSC and CCEMacau are connected persons of the Company, and the Company and Peak Top are connected persons of CSC. The Omar Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated in respect of the Omar Agreement are more than 0.1% but less than 5%, the Omar Transaction is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under the Listing Rules.

Completion of the Omar Agreement is conditional upon the following conditions being satisfied on or before 30 November 2010 or such later date as may be agreed between Peak Top and CCEMacau in writing. If any of the conditions has not been satisfied (or waived) on or before 30 November 2010 or such other later date as may be agreed by the parties, the Omar Agreement will immediately terminate. The conditions for completion are:

(a) all consents, approvals, clearances and authorisations of any relevant governmental authorities in Macau or other relevant third parties as may be necessary under the Articles of Association of Omar Property for completion of the Omar Agreement having been obtained; and

(b) if required, the board of directors of Omar Property having issued the statement confirming that no pre-emption rights were exercised and the sale and purchase contemplated hereunder may take place.

As the condition for completion has been satisfied, completion of the Omar Agreement took place on 25 October 2010 and the total cash consideration has been duly received.

* *For identification purpose only.*

(4) On 30 September 2010, CORB (an indirect wholly-owned subsidiary of the Company) and Ever Power (an indirect wholly-owned subsidiary of CSC) entered into the COTHL Agreement, pursuant to which Ever Power shall acquire and CORB shall sell or procure to sell the entire interest in COTHL, being 100% of the issued share capital of COTHL and the Loan for a cash consideration of HK$1,690 million.

COTHL, through its subsidiaries, owns 65% equity interest in Nanjing Changjiang Second Bridge Company Limited* (南京長江第二大橋有限責任公司) which is a company established in the PRC. The remaining 35% equity interest in Changjiang Second Bridge Company Limited is owned by an independent third party. Changjiang Second Bridge Company Limited is engaged mainly in the construction, operation and management of the Nanjing No. 2 Yangtze River Bridge (the "**Bridge**") located in Nanjing city in the PRC and it was granted the exclusive right by the Nanjing Municipal Government to operate the Bridge and its ancillary facilities, including the establishment of a toll station on the Bridge and collection of tolls, for a term from 10 February 1999 to 25 March 2031.

The consideration for the acquisition of the entire interest in COTHL shall be HK$1,690 million, which shall be settled in cash by two installments: (i) HK$845 million to be payable at completion of the COTHL Agreement; and (ii) the remaining balance of HK$845 million to be payable within 3 months after the date of completion of the COTHL Agreement. The total consideration is determined after arm's length negotiation between the parties with reference to a price earning ratio based on the unaudited profits (after taxation) of COTHL with reference to its annual account for the year ended 31 December 2009.

The Group is principally engaged in property development and investment. Since 2006, the Company has made clear that its future business strategy is to focus on property development and therefore has gradually disposed of all its infrastructure businesses at suitable times. The COTHL Transaction is in line with such business strategy and the sales proceeds will be used for investment in other property development projects. Following completion of the COTHL Transaction, COTHL will cease to be a subsidiary of the Company and the Company will cease to hold any infrastructure investment.

The Directors (including the independent non-executive directors) consider that the COTHL Transaction has been entered into on normal commercial terms and in the ordinary course of business, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the directors of the Company has a material interest in the COTHL Transaction and thus no director of the Company is required to abstain from voting on the board resolutions approving the COTHL Transaction.

COHL, which is interested in approximately 53.07% of the issued share capital of the Company and approximately 62.47% of the issued share capital of CSC as at the date of the relevant announcement, is a connected person of each of the Company and CSC. The Company, CORB, CSC and Ever Power are associates of COHL. Accordingly, CSC and Ever Power are connected persons of the Company, and the Company and CORB are connected persons of CSC. The COTHL Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated in respect of the COTHL Agreement are more than 0.1% but less than 5%, the COTHL Transaction is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under the Listing Rules.

Completion of the COTHL Agreement is conditional upon the independent CSC shareholders (CSC shareholders other than COHL and its associates) approving the COTHL Agreement and the transactions contemplated thereunder. Completion of the COTHL Agreement will take place within five days upon the fulfillment of the condition, or such later date as agreed by the parties. If the condition has not been satisfied on or before 30 November 2010 or such other later date as may be agreed by the parties, the COTHL Agreement will immediately terminate.

Approval by the independent CSC shareholders of such agreement and transactions was duly obtained at an extraordinary general meeting of CSC held on 5 November 2010. As the condition for completion has been satisfied, completion of the COTHL Agreement took place on the same day and the total cash consideration has been duly received in February 2011.

* *For identification purposes only.*

Part B: During the year under review, the Group entered into the following connected transactions or continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules or which have been approved by independent shareholders in pursuance of Rule 14A.17, Rule 14A.35 or Rule 14A.43 of the Listing Rules:

(5) On 2 April 2009, the Company and CSCECL entered into the CSCECL Group Engagement Agreement, whereby the Group may engage the CSCECL Group as construction contractor in the PRC upon successful tender for a term of three years commencing from 1 June 2009 and ending on 31 May 2012 subject to the following Cap (the "Cap**"):

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

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

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

CSCECL has a vast network of construction subsidiaries in the PRC. The CSCECL Group Engagement Agreement, in addition to the CSC Group Engagement Agreement (particulars refer to item (6) below), provides the Company with the option to engage the CSCECL Group (subject to successful tender) as construction contractor in the construction of its property development projects in the PRC.

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

With the continued rapid growth of the Group, and based on estimates of contract sum of new construction projects of the Group in the Mainland China, the Directors expect that the Original Cap for each of the two years ending 2011 and the period between 1 January 2012 and 31 May 2012 under the CSCECL Group Engagement Agreement will not be sufficient for the Group´s requirement. On 30 March 2010, the Company and CSCECL entered into the New CSCECL Group Engagement Agreement, whereby the Group may engage the CSCECL Group as construction contractor in the Mainland China upon successful tender for a term of three years commencing from 1 July 2010 and ending on 30 June 2013 subject to the New Cap. The CSCECL Group Engagement Agreement has been terminated immediately before the New CSCECL Group Engagement Agreement taking effect. Particulars of the New CSCECL Group Engagement Agreement were set out at item (7) below.

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

(a) SCOCE Engagement Agreement;
(b) CCEMacau Engagement Agreement;
(c) CSC Engagement Agreement;
(d) Master Tenancy Agreement; and
(e) Master Security Services Agreement.

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

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

(a) CSC Group Engagement Agreement;
(b) Master Lease Agreement; and
(c) new Master Security Services Agreement.

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

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

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

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

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

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

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

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

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

During the year, the total contract sum awarded to the CSC Group under the CSC Group Engagement Agreement was HK$1,626.9 million which did not exceed the cap of HK$2,000 million.

During the year, the rental paid by the CSC Group under the Master Lease Agreement was HK$10.4 million which did not exceed the cap of HK$12 million.

During the year, the total contract sum awarded by the CSC Group to the Group under the new Master Security Services Agreement was HK$26.0 million which did not exceed the cap of HK$30 million.

**(7) After the entering into of the CSCECL Group Engagement Agreement by the Company with CSCECL on 2 April 2009 for the engagement by the Group of the CSCECL Group as construction contractor for the Group in the Mainland China, the Directors, in view of the continuing rapid growth of the Group, and based on estimates of contract sum of new construction projects of the Group in the Mainland China, expect that the Original Cap under the CSCECL Group Engagement Agreement will not be sufficient for the Group's requirement. In this respect, on 30 March 2010, the Company and CSCECL entered into the New CSCECL Group Engagement Agreement, which includes, inter alia, the setting up of the New Cap, for a term of three years commencing from 1 July 2010 and ending on 30 June 2013, as below:

Period	**Total contract sum that may be awarded by the Group to the CSCECL Group shall not exceed**
Between 1 July 2010 and 31 December 2010 together with the total contract sum actually awarded by the Group to the CSCECL Group under the CSCECL Group Engagement Agreement for the period between 1 January 2010 and 30 June 2010 which is estimated to be of approximately RMB1,000 million (approximately HK$1,136.4 million)	RMB4,500 million (approximately HK$5,113.6 million)
For each of the two years ending 31 December 2012	RMB5,000 million (approximately HK$5,681.8 million)
Between 1 January 2013 and 30 June 2013	RMB2,500 million (approximately HK$2,840.9 million)

The scope of the New CSCECL Group Engagement Agreement is the same as that of the Original CSCECL Group Engagement Agreement except that the Original Cap is replaced by the New Cap and the term of engagement under the New CSCECL Group Engagement Agreement expires on 30 June 2013.

CSCECL has a vast network of construction subsidiaries in the Mainland China. The New CSCECL Group Engagement Agreement provides the Company with the option to engage the CSCECL Group (subject to successful tender) as construction contractor in the construction of its property development projects in the Mainland China subject to the New Cap.

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

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

Further details of the New CSCECL Group Engagement Agreement, the New Cap and the continuing connected transactions contemplated thereunder were given in a circular to Shareholders dated 20 April 2010. Approval by Independent Shareholders of such agreement and transactions was duly obtained at the extraordinary general meeting held on 9 June 2010. The extraordinary general meeting has been conducted by poll and CSCECL and its associates have abstained from voting. The New CSCECL Group Engagement Agreement has become effective on 1 July 2010 and that it superseded and replaced the CSCECL Group Engagement Agreement which had been terminated immediately before the New CSCECL Group Engagement Agreement taking effect.

The total contract sum awarded to the CSCECL Group for the period between 1 July 2010 and 31 December 2010 under the New CSCECL Group Engagement Agreement, together with the total contract sum actually awarded to the CSCECL Group under the CSCECL Group Engagement Agreement for the period between 1 January 2010 and 30 June 2010 is RMB2,188.6 million which did not exceed the cap of RMB4,500 million.

**(8) On 18 June 2010, the Company and CSC entered into the Connection Services Agreement, pursuant to which CSC (through SHTCL) shall provide connection services for heating pipes for the Project(s) commencing on 1 July 2010 and ending on 31 December 2012. Services to be provided under this Connection Services Agreement involve the connection of sets of heating pipes, which will allow the provision of heat to residential and commercial buildings from thermal plants.

Pursuant to the Connection Services Agreement, the parties may from time to time enter into further implementation agreements, which set out the detailed terms in relation to connection services for heating pipes for the Project(s). The terms under further implementation agreements will be negotiated on an arm's length basis between the parties.

It is expected that the maximum contract sums awarded by the Company to CSC under the Connection Services Agreement will be as follows:

Period	**Maximum contract sums that may be awarded by the Company to CSC shall not exceed**
For the period between 1 July 2010 and 31 December 2010	HK$100,000,000
For the period between 1 January 2011 and 31 December 2011	HK$150,000,000
For the period between 1 January 2012 and 31 December 2012	HK$150,000,000

These maximum contract sums are determined after arm's length negotiation between the parties with reference to the future projection of the project development plans of the Company during the period pursuant to the Connection Services Agreement. The contract sums will be satisfied by the Company in cash from its internal resources. Detailed payment terms will be included in further implementation agreements. Such payment terms will be determined on an arm's length basis and will be referenced to the prevailing market prices at the time each further implementation agreement is entered.

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses. SHTCL, a wholly-owned subsidiary of CSC, is principally engaged in the provision of connection services for heating pipes, and the supply of heat, electricity and steam.

The Directors (including the independent non-executive directors) consider that the Connection Services Agreement has been entered into on normal commercial terms and in the ordinary course of business, and the terms and conditions therein (including the maximum contract sums) are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the directors of the Company has a material interest in the transactions contemplated under the Connection Services Agreement.

COHL, which is interested in approximately 53.1% of the issued share capital of the Company and approximately 62.5% of the issued share capital of CSC as at the date of the relevant announcement, is a connected person of each of the Company and CSC. The Company, CSC and SHTCL are associates of COHL. Accordingly, CSC and SHTCL are connected persons of the Company, and the Company is a connected person of CSC. The transactions contemplated under the Connection Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined under the Listing Rules) calculated for the Company in relation to the Connection Services Agreement are less than 5%; therefore, the transactions contemplated under the Connection Services Agreement are subject to the reporting, annual review and announcement requirements and are exempted from the independent shareholders' approval requirement under the Listing Rules.

During the year, the maximum contract sums awarded to CSC under the Connection Services Agreement was HK$72.5 million which did not exceed the cap of HK$100 million.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 97 to 114 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Having reviewed the unqualified letter provided by the auditors in pursuance of Rule 14A.38 in relation to continuing connected transactions and the connected transactions or continuing connected transactions contemplated above, the Directors (including the independent non-executive directors), opined that the connected transactions or continuing connected transactions contemplated above were carried out (i) on normal commercial terms at which the transactions are either on an arm's length basis or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; (ii) in the ordinary and usual course of business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Items (a) to (j) of note 52 to the financial statements also constitute connected/continuing connected transactions in Chapter 14A of the Exchange Listing Rules.

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

** *These connected transactions or continuing connected transactions also constitute related party transactions under the Hong Kong Financial Reporting Standards.*

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Overseas Land & Investment Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 116 to 230 which comprise the consolidated and the Company's statements of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	7	**44,313,014**	37,321,630
Cost of sales		**(25,714,441)**	(24,969,281)
Direct operating expenses		**(824,639)**	(574,826)
		17,773,934	11,777,523
Other income and gains	9	**1,031,104**	478,545
Gain arising from changes in fair value of investment properties	16	**1,989,004**	1,319,532
Gain on transfer of completed properties to investment properties	16	**26,571**	—
Gain on bargain purchase	41(a)	**905,718**	—
Gain on disposal of subsidiaries	43	**601,085**	—
Gain on disposal of a jointly controlled entity	44	**272,918**	—
Gain arising from changes in fair value of investments held-for-trading		**—**	10,452
Selling and distribution costs		**(592,445)**	(529,324)
Administrative expenses		**(1,314,327)**	(797,480)
Operating profit		**20,693,562**	12,259,248
Share of profits of			
Associates		**17,750**	3,683
Jointly controlled entities		**317,196**	19,238
Finance costs	10	**(461,264)**	(228,414)
Profit before tax		**20,567,244**	12,053,755
Income tax expense	11	**(7,897,817)**	(4,449,692)
Profit for the year	12	**12,669,427**	7,604,063
Attributable to:			
Owners of the Company		**12,373,151**	7,468,928
Non-controlling interests		**296,276**	135,135
		12,669,427	7,604,063
		HK$	*HK$*
EARNINGS PER SHARE	15		
Basic		**1.51**	0.92
Diluted		**1.51**	0.92

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**12,669,427**	7,604,063
Other comprehensive income		
Exchange differences arising on translation	**1,950,791**	5,026
Share of exchange difference of jointly controlled entities	**209,873**	1,315
Change in fair value of investments in syndicated property project companies	**1,896**	2,317
Reclassification adjustment of other reserve upon realisation of assets	**15,390**	54,440
Other comprehensive income for the year, net of tax	**2,177,950**	63,098
Total comprehensive income for the year	**14,847,377**	7,667,161
Total comprehensive income attributable to:		
Owners of the Company	**14,475,140**	7,530,334
Non-controlling interests	**372,237**	136,827
	14,847,377	7,667,161

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Non-current Assets				
Investment properties	16	**14,053,675**	7,747,599	6,428,067
Property, plant and equipment	17	**319,388**	253,823	280,967
Prepaid lease payments for land	18	**35,984**	47,409	58,204
Interests in associates	20	**210,497**	180,600	164,581
Interests in jointly controlled entities	21	**11,323,863**	2,558,944	1,947,655
Investments in syndicated property project companies	22	**22,867**	20,971	18,654
Amounts due from associates	23	**42,156**	87,424	90,108
Amounts due from jointly controlled entities	23	**8,981,367**	9,172,006	4,071,170
Amounts due from syndicated property project companies	23	**154**	436	1,056
Other financial assets	25	**23,726**	30,161	42,443
Goodwill	45	**109,021**	109,021	109,021
Other intangible asset	46	**39,870**	—	—
Deferred tax assets	40	**1,190,537**	650,791	485,090
		36,353,105	20,859,185	13,697,016
Current Assets				
Inventories	26	**4,154**	3,718	2,999
Stock of properties	27	**84,461,975**	50,447,028	53,978,804
Investments held-for-trading	28	**—**	—	9,506
Prepaid lease payments for land	18	**2,745**	3,660	3,660
Trade and other receivables	29	**2,874,544**	1,120,299	1,044,655
Deposits and prepayments		**2,771,797**	1,059,712	1,267,327
Deposits for land use rights for properties held for sale		**1,916,731**	15,934,835	1,652,747
Amount due from immediate holding company	30	**—**	—	618,249
Amount due from a fellow subsidiary	44	**845,000**	—	—
Amount due from an associate	30	**—**	142,929	613,246
Amounts due from jointly controlled entities	30	**529,926**	276,369	3,312,030
Amounts due from non-controlling interests	30	**110,386**	75,007	138,647
Tax prepaid		**354,544**	331,926	231,407
Bank balances and cash	31	**32,023,494**	23,862,725	9,006,148
		125,895,296	93,258,208	71,879,425
Current Liabilities				
Trade and other payables	32	**14,103,430**	10,963,564	7,824,472
Deposits for proposed open offer		**—**	—	1,214,275
Pre-sales deposits		**23,274,160**	17,522,447	11,846,616
Rental and other deposits		**712,335**	1,240,783	434,248
Amount due to immediate holding company	33	**—**	9,659,281	—
Amount due to a fellow subsidiary	33	**353,428**	251,292	174,934
Amounts due to associates	33	**258,703**	209,906	181,905
Amounts due to jointly controlled entities	33	**1,530,187**	524,249	483,658
Tax liabilities		**10,952,001**	5,459,135	3,829,624
Borrowings — due within one year	37	**10,214,113**	6,964,155	3,946,026
		61,398,357	52,794,812	29,935,758
Net Current Assets		**64,496,939**	40,463,396	41,943,667
		100,850,044	61,322,581	55,640,683

Consolidated Statement of Financial Position (continued)

At 31 December 2010

	Notes	**31.12.2010** **HK$'000**	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Capital and Reserves				
Share capital	35	**817,252**	816,902	785,070
Reserves		**53,917,638**	41,276,170	32,434,712
Equity attributable to owners of the Company		**54,734,890**	42,093,072	33,219,782
Non-controlling interests		**3,207,251**	(283,441)	(335,394)
Total Equity		**57,942,141**	41,809,631	32,884,388
Non-current Liabilities				
Borrowings — due after one year	37	**24,305,704**	14,369,870	18,320,005
Guaranteed notes payable	38	**10,018,179**	2,332,426	2,329,431
Amounts due to non-controlling interests	39	**791,904**	820,310	850,983
Derivative financial liability	42	**1,187,323**	—	—
Deferred tax liabilities	40	**6,604,793**	1,990,344	1,255,876
		42,907,903	19,512,950	22,756,295
		100,850,044	61,322,581	55,640,683

The financial statements on pages 116 to 230 were approved and authorised for issue by the Board of Directors on 17 March 2011 and are signed on its behalf by:

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Company Statement of Financial Position

At 31 December 2010

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000
Non-current Assets				
Property, plant and equipment	17	1,227	1,343	5,649
Prepaid lease payments for land	18	61	123	185
Investments in subsidiaries	19	1,974,667	1,746,798	1,304,616
Amounts due from subsidiaries	24	10,482,214	7,139,898	7,280,615
		12,458,169	8,888,162	8,591,065
Current Assets				
Stock of properties	27	1,751	1,751	1,775
Prepaid lease payments for land	18	62	62	62
Trade and other receivables	29	33,640	27,552	29,446
Deposits and prepayments		7,879	9,828	7,131
Amounts due from subsidiaries	24	37,492,741	36,989,917	24,466,212
Tax prepaid		118	118	118
Bank balances and cash	31	6,917,799	3,380,844	1,985,424
		44,453,990	40,410,072	26,490,168
Current Liabilities				
Trade and other payables	32	31,808	20,140	111,243
Deposits for proposed open offer		—	—	1,214,275
Other deposits		148	148	148
Amount due to immediate holding company	33	—	9,659,281	—
Amounts due to subsidiaries	34	1,866,461	1,520,101	1,763,590
Amount due to a jointly controlled entity	33	198,006	—	—
Borrowings — due within one year	37	5,897,500	3,477,500	—
Other financial liabilities	25	38,226	21,723	11,986
		8,032,149	14,698,893	3,101,242
Net Current Assets		36,421,841	25,711,179	23,388,926
		48,880,010	34,599,341	31,979,991
Capital and Reserves				
Share capital	35	817,252	816,902	785,070
Reserves	36	20,736,801	20,525,344	17,753,955
Total Equity		21,554,053	21,342,246	18,539,025
Non-current Liabilities				
Borrowings — due after one year	37	17,002,360	10,860,500	11,038,000
Amounts due to subsidiaries	34	10,131,599	2,377,198	2,377,168
Other financial liabilities	25	191,998	19,397	25,798
		27,325,957	13,257,095	13,440,966
		48,880,010	34,599,341	31,979,991

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Other property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Other reserve *HK$'000* *(Note a)*	PRC statutory reserve *HK$'000* *(Note b)*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
THE GROUP													
At 1 January 2009	785,070	16,336,796	18,798	1,818	22,950	18,610	3,500,332	(69,830)	501,963	12,103,275	33,219,782	(335,394)	32,884,388
Profit for the year	—	—	—	—	—	—	—	—	—	7,468,928	7,468,928	135,135	7,604,063
Net exchange differences arising on translation	—	—	—	—	—	—	3,334	—	—	—	3,334	1,692	5,026
Share of translation reserve of jointly controlled entities	—	—	—	—	—	—	1,315	—	—	—	1,315	—	1,315
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	2,317	—	—	—	—	2,317	—	2,317
Release of reserve upon realisation of assets	—	—	—	—	—	—	—	54,440	—	—	54,440	—	54,440
Total comprehensive income for the year	—	—	—	—	—	2,317	4,649	54,440	—	7,468,928	7,530,334	136,827	7,667,161
2008 final dividend paid	—	—	—	—	—	—	—	—	—	(571,531)	(571,531)	—	(571,531)
Issue of shares upon rights issue	31,402	2,480,821	—	—	—	—	—	—	—	—	2,512,223	—	2,512,223
Share issue expenses — rights issue	—	(30,346)	—	—	—	—	—	—	—	—	(30,346)	—	(30,346)
Issue of shares upon exercise of share options	430	5,200	—	(826)	—	—	—	—	—	—	4,804	—	4,804
Share issue expenses — share options	—	(626)	—	—	—	—	—	—	—	—	(626)	—	(626)
Recognition of share-based payments	—	—	—	199	—	—	—	—	—	—	199	—	199
Contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	49,145	49,145
2009 interim dividend paid	—	—	—	—	—	—	—	—	—	(571,767)	(571,767)	—	(571,767)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(158,845)	(158,845)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	82,156	82,156
Return of capital to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	(57,330)	(57,330)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	217,748	(217,748)	—	—	—
At 31 December 2009	816,902	18,791,845	18,798	1,191	22,950	20,927	3,504,981	(15,390)	719,711	18,211,157	42,093,072	(283,441)	41,809,631
Profit for the year	—	—	—	—	—	—	—	—	—	12,373,151	12,373,151	296,276	12,669,427
Net exchange differences arising on translation	—	—	—	—	—	—	1,874,830	—	—	—	1,874,830	75,961	1,950,791
Share of translation reserve of jointly controlled entities	—	—	—	—	—	—	209,873	—	—	—	209,873	—	209,873
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	1,896	—	—	—	—	1,896	—	1,896
Release of reserve upon realisation of assets	—	—	—	—	—	—	—	15,390	—	—	15,390	—	15,390
Total comprehensive income for the year	—	—	—	—	—	1,896	2,084,703	15,390	—	12,373,151	14,475,140	372,237	14,847,377
2009 final dividend paid	—	—	—	—	—	—	—	—	—	(1,062,393)	(1,062,393)	—	(1,062,393)
Issue of shares upon exercise of share options	350	4,227	—	(672)	—	—	—	—	—	—	3,905	—	3,905
Contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	57,302	57,302
2010 interim dividend paid	—	—	—	—	—	—	—	—	—	(817,205)	(817,205)	—	(817,205)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(132,898)	(132,898)
Release of exchange reserve upon disposal of subsidiaries	—	—	—	—	—	—	(337,396)	—	—	337,396	—	—	—
Acquisition of a subsidiary *(note 41(a))*	—	—	—	—	—	—	—	—	—	—	—	4,244,876	4,244,876
Acquisition of additional interests in subsidiaries *(note 41(a) and 42)*	—	—	—	—	—	—	—	—	—	217,186	217,186	(1,552,177)	(1,334,991)
Disposal of a subsidiary *(note 43(d))*	—	—	—	—	—	—	—	—	—	—	—	(1,135)	(1,135)
Disposal of partial interests in subsidiaries *(note 41(a) and 41(d))*	—	—	—	—	—	—	—	—	—	(174,815)	(174,815)	509,380	334,565
Return of capital to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	(6,893)	(6,893)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	401,258	(401,258)	—	—	—
At 31 December 2010	**817,252**	**18,796,072**	**18,798**	**519**	**22,950**	**22,823**	**5,252,288**	**—**	**1,120,969**	**28,683,219**	**54,734,890**	**3,207,251**	**57,942,141**

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**20,567,244**	12,053,755
Adjustments for:			
Share of profits of associates		**(17,750)**	(3,683)
Share of profits of jointly controlled entities		**(317,196)**	(19,238)
Finance costs		**461,264**	228,414
Depreciation and amortisation		**54,242**	40,490
Interest income		**(605,335)**	(403,273)
Share-based payment expense		**—**	199
Gain arising from changes in fair value of investment properties		**(1,989,004)**	(1,319,532)
Gain on transfer of completed properties to investment properties		**(26,571)**	—
Gain on bargain purchase		**(905,718)**	—
Gain on disposal of subsidiaries		**(601,085)**	—
Gain on disposal of a jointly controlled entity		**(272,918)**	—
Gain on disposal of partial interest in a jointly controlled entity		**(25,222)**	—
Loss on disposal of property, plant and equipment		**25,660**	1,164
Gain arising from changes in fair value of investments held-for-trading		**—**	(10,452)
Operating cash flows before movements in working capital		**16,347,611**	10,567,844
Decrease (increase) in instalments receivable		**1,914**	(1,272)
Decrease (increase) in inventories		**943**	(719)
(Increase) decrease in stock of properties		**(14,045,788)**	4,762,242
Decrease in investments held-for-trading		**—**	19,958
(Increase) decrease in trade and other receivables, deposits and prepayments		**(3,728,516)**	135,280
Increase in deposits for land use rights for properties held for sale		**(2,126,942)**	(14,279,723)
(Increase) decrease in restricted bank balances		**(64,782)**	421,623
Increase in trade and other payables, pre-sales deposits, and rental and other deposits		**4,954,022**	9,591,572
Cash from operations		**1,338,462**	11,216,805
Income taxes paid		**(3,889,406)**	(2,357,082)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(2,550,944)**	8,859,723
INVESTING ACTIVITIES			
Interest received		**234,873**	206,005
Dividends from jointly controlled entities received		**165,248**	101,111
Decrease in pledged bank deposits		**4,521**	13,554
Purchase of property, plant and equipment		**(155,873)**	(24,093)
Additions of investment properties		**(1,550,633)**	—
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	*43*	**1,529,036**	—
Disposal of a jointly controlled entity	*44*	**818,613**	—
Disposal of partial interest in a jointly controlled entity	*43(a)*	**325,969**	—
Repayment from associates		**188,197**	500,857
Advances to jointly controlled entities		**(774,810)**	(2,158,744)
Advances to non-controlling interests		**(28,558)**	—
Repayment from syndicated property project companies		**282**	620
Repayment from immediate holding company		**—**	619,134
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*41*	**(3,604,958)**	(507,984)
Capital contributions to jointly controlled entities		**(2,135,943)**	(376,177)
Net proceeds on disposal of prepaid lease payments		**14,977**	7,016
Net proceeds on disposal of property, plant and equipment		**57,549**	13,790
Net proceeds on disposal of investment properties		**5,013**	—
NET CASH USED IN INVESTING ACTIVITIES		**(4,906,497)**	(1,604,911)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(1,117,054)**	(766,365)
Other finance costs paid		**(29,517)**	(15,324)
Cash dividends paid		**(1,879,598)**	(1,143,298)
Dividends paid to non-controlling interests		**(132,898)**	(158,845)
Net proceeds from issue of shares		**3,905**	1,271,780
Disposal of partial interests in subsidiaries	*41(a) & (d)*	**334,565**	—
Acquisition of additional interest in a subsidiary	*41(a)*	**(147,668)**	(869)
New bank and other loans raised		**18,531,595**	5,026,292
Repayment of bank loans		**(7,133,931)**	(5,990,161)
Issue of guaranteed notes		**7,681,805**	—
Return of capital to non-controlling interests		**(6,893)**	(57,330)
(Repayment to) advance from immediate holding company		**(9,659,281)**	9,659,281
Advance from a fellow subsidiary		**102,136**	76,108
Advance from an associate		**48,797**	—
Advances from jointly controlled entities		**864,895**	—
Advance from an intermediate holding company		**8,027,282**	—
Repayment to related companies		**(797,922)**	—
Contributions from non-controlling interests of subsidiaries		**57,302**	1,622
(Repayment to) loans from non-controlling interests of subsidiaries		**(155,720)**	114,972
NET CASH FROM FINANCING ACTIVITIES		**14,591,800**	8,017,863
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,134,359**	15,272,675
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**23,781,456**	8,503,256
Effect of foreign exchange rate changes		**658,166**	5,525
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*47*	**31,573,981**	23,781,456

Notes to the Financial Statements

For the year ended 31 December 2010

1. General

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

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

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

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised 2008)	Business Combinations
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 17 (Amendments)	Leases
HKAS 27 (as revised 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRS 3 (as revised 2008) "Business Combinations"

HKFRS 3 (as revised 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Co. Ltd.) ("COGO"), the Group has elected to measure the non-controlling interests at the non-controlling interests' share of the identifiable net assets of the acquiree at the date of acquisition.

- HKFRS 3 (as revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (as revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The acquisition-related cost is insignificant to the Group and the application of HKFRS 3 (as revised 2008) has no significant impact to the consolidated statement of financial position at 31 December 2010 and consolidated income statement of the Group for the current year.

HKAS 27 (as revised 2008) "Consolidated and Separate Financial Statements"

The application of HKAS 27 (as revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Company.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Company's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

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

HKAS 27 (as revised 2008) "Consolidated and Separate Financial Statements" *(continued)*

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised standard has affected the accounting for the Group's acquisition of additional interest and partial disposal of interest in COGO in the current year, as detailed in note 41(a). In respect of the acquisition of additional interest in COGO, the change in policy has resulted in the difference of HK$49,888,000 between the consideration paid of HK$147,668,000 and the non-controlling interests attributable to the additional interest acquired of HK$197,556,000 being recognised directly in equity, instead of in profit or loss. In addition, the cash consideration paid in the current year of HK$147,668,000 has been included in cash flows from financing activities. In respect of the partial disposal of interest in COGO, the change in policy has resulted in the difference of HK$174,815,000 between the consideration received of HK$176,419,000 and the non-controlling interests of HK$351,234,000 being recognised directly in equity, instead of in profit or loss. In addition, the cash consideration received in the current year of HK$176,419,000 has been included in cash flow from financing activities. In respect of the partial disposal of interest in Omar Property Development Company Limited ("Omar Property") as detailed in note 41(d), there is no significant difference between the cash consideration received for the partial disposal of equity interest in Omar Property and the carrying amount of the non-controlling interest at the date of disposal and therefore, such disposal has no significant impact to the profit or loss and equity of the Group. The cash consideration received in the current year of HK$158,146,000 has been included in cash flow from financing activities.

The application of the revised standard has affected the accounting for the Group's acquisition of additional interest in a subsidiary of COGO in the current year, as detailed in noted 42. The change in policy has resulted in the difference of HK$167,298,000 between the consideration paid of HK$1,187,323,000 and the non-controlling interests attributable to the additional interest acquired of HK$1,354,621,000 being recognised directly in equity, instead of in profit or loss.

The application of the revised standard has also affected the accounting for the Group's disposal of certain subsidiaries as detailed in note 43(a). The change in policy has resulted in measuring the retained interests in the former subsidiaries at their fair value at the date control is lost. The resulting difference of HK$220,905,000 is recognised as part of the gain on disposal of subsidiaries in profit or loss.

In summary, the application of HKAS 27 (as revised 2008) has resulted in an increase in profit of the Group of HK$178,534,000 and increase in both basic and diluted earnings per share of HK$0.02 in the current year and increase in the retained earnings of the Group of HK$42,371,000 and the increase in interests in jointly controlled entities of HK$220,905,000 at 31 December 2010. The effects of change in this accounting policy had no significant impact on the results of the Group for the prior years and on the consolidated financial position of the Group as at 1 January 2009 and 31 December 2009.

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

Amendments to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lease.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$5,447,000 and HK$5,323,000 as at 1 January 2009 and 31 December 2009 respectively being reclassified to property, plant and equipment.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$3,068,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit and loss for the current and prior years.

The effects of the above change in accounting policy on the financial positions of the Group as at 1 January 2009 and 31 December 2009 is as follows:

	As at 1/1/2009 (originally stated)	**Adjustments**	**As at 1/1/2009 (restated)**	**As at 31/12/2009 (originally stated)**	**Adjustments**	**As at 31/12/2009 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	275,520	5,447	280,967	248,500	5,323	253,823
Prepaid lease payments for land — non-current	63,465	(5,261)	58,204	52,379	(4,970)	47,409
Prepaid lease payments for land — current	3,846	(186)	3,660	4,013	(353)	3,660
Total effects on net assets	342,831	—	342,831	304,892	—	304,892

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

Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK-Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

As a result, bank loans that contain a repayment on demand clause with aggregate carrying amounts of HK$2,600,000,000 have been reclassified from non-current liabilities to current liabilities in the Group's consolidated and the Company's statements of financial position as at 31 December 2009. As at 31 December 2010, bank loans (that are repayable after one year from the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$800,000,000 have been classified as current liabilities in the Group's consolidated and the Company's statements of financial position. The application of HK-Int 5 has had no impact on the Group's consolidated and the Company's statement of financial position at 1 January 2009 as the Group did not have bank loans that contain a repayment on demand clause. Also, its application has had no impact on the reported profit or loss for the current or prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6b (iii) for details).

The effects of the above change in accounting policy on the financial positions of the Group and the Company as at 31 December 2009 is as follows:

	THE GROUP			THE COMPANY		
	As at 31/12/2009 (originally stated)	**Adjustments**	**As at 31/12/2009 (restated)**	**As at 31/12/2009 (originally stated)**	**Adjustments**	**As at 31/12/2009 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings — due within one year	4,364,155	2,600,000	6,964,155	877,500	2,600,000	3,477,500
Borrowings — due after one year	16,969,870	(2,600,000)	14,369,870	13,460,500	(2,600,000)	10,860,500
Total effects on net assets	21,334,025	—	21,334,025	14,338,000	—	14,338,000

The effects of changes in accounting policies described above had no impact on the reported profit or loss in prior years.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (revised 2009)	Related Party Disclosures, except for paragraphs 25 to 27 in respect of the partial exemption from disclosure requirements for government related entities which have been adopted during the financial year ended 31 December 2009[6]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 February 2010.*
3 *Effective for annual periods beginning on or after 1 July 2010.*
4 *Effective for annual periods beginning on or after 1 January 2011.*
5 *Effective for annual periods beginning on or after 1 July 2011.*
6 *Effective for annual periods beginning on or after 1 January 2012.*
7 *Effective for annual periods beginning on or after 1 January 2013.*

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

The application of the new standard may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities and the management of the Group is in the process of ascertaining the financial impact.

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model.

3. Significant Accounting Policies

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

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

Basis of Consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in retained profits and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "*Financial Instruments: Recognition and Measurement*" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests, which was the carrying amount of the net assets attributable to the change in interests was recognised in profit or loss.

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. Significant Accounting Policies *(continued)*

Business Combinations

Business combinations that took place on or after 1 January 2010
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Business combinations that took place prior to 1 January 2010
Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

3. Significant Accounting Policies *(continued)*

Investments in Subsidiaries

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

Interests in Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant Accounting Policies *(continued)*

Interests in Jointly Controlled Entities

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entities, profits and losses resulting from the transactions with the jointly controlled entities are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entities that are not related to the Group.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

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

3. Significant Accounting Policies *(continued)*

Investment Properties *(continued)*

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

Property, Plant and Equipment

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on assets other than goodwill below).

Impairment losses on Assets other than Goodwill

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

3. Significant Accounting Policies *(continued)*

Impairment losses on Assets other than Goodwill *(continued)*

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

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

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

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

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Loans and receivables

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

Available-for-sale financial assets

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

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

Financial Liabilities and Equity Instruments

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

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

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

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity Instruments *(continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial Guarantee Contracts

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

Derecognition

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

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

3. Significant Accounting Policies *(continued)*

Inventories

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

Stock of Properties

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

Borrowing Costs

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

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

Foreign Currencies

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

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

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

3. Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

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

The Group as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building
When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. Significant Accounting Policies *(continued)*

Leasing *(continued)*

Leasehold land and building *(continued)*
To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Retirement Benefit Costs

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

Taxation

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

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

Share Options Granted to Employees

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

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

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

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

Revenue Recognition

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

Sales of Properties
Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

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

3. Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Real Estate Agency and Management Services
Revenue from the provision of real estate agency and management services is recognised when services are provided.

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

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

4. Key Sources of Estimation Uncertainty

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

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

Critical judgment in applying the Group's accounting policy

The following is the critical judgment, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Business combination
As detailed in note 41(a), the Group acquired COGO in a combination of subscription of new shares issued by COGO and making a voluntary unconditional cash offer to the shareholders of COGO. The directors of the Company have determined that the Group obtained the control in COGO at the time of completion of subscription on 10 February 2010. In making their judgment, the directors considered the Group's present ownership interests in COGO and the undertaking of a major shareholder of COGO who has undertaken to the Group that it would obtain control over COGO.

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

Key sources of estimation uncertainty

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

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2010 at their fair values of approximately HK$14,054 million (2009: approximately HK$7,748 million). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

(b) Impairment of Investments in Jointly Controlled Entities

Management assessed the recoverability of the Group's investments in jointly controlled entities undertaking property development projects in the PRC with an aggregate carrying amount of approximately HK$11,296 million (2009: HK$1,089 million) included in the consolidated statement of financial position at 31 December 2010.

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

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2010 is stock of properties with an aggregate carrying amount of approximately HK$84,462 million (2009: approximately HK$50,447 million). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(d) Impairment of Amounts due from Jointly Controlled Entities

Included in the consolidated statement of financial position at 31 December 2010 is amounts due from jointly controlled entities with an aggregate carrying amount of approximately HK$9,511 million (2009: approximately HK$9,448 million). In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows generated by these jointly controlled entities, which are based on the plan of pre-sale of the underlying stock of properties held by the respective jointly controlled entity. Where the future plan or future cash flow is different from the original estimate, a material impairment loss may arise.

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

Key sources of estimation uncertainty *(continued)*

(e) Land Appreciation tax ("LAT")

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

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

(f) Fair value of derivative financial liability

The directors of the Company use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For the derivative financial liability mentioned in note 42, estimation of its fair value includes some assumptions not supported by observable market prices or rates. The carrying amount of the derivative financial liability at 31 December 2010 is approximately HK$1,187 million. The valuation model used and the major assumptions and inputs for the valuation model are disclosed in note 42. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

5. Capital Risk Management

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

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

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

6. Financial Instruments

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

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables at amortised cost (including cash and cash equivalents)	**45,430,753**	34,767,356	**54,926,394**	47,538,211
Available-for-sale financial assets (investments in syndicated property project companies)	**22,867**	20,971	**—**	—
Financial liabilities				
Liabilities at amortised cost	**61,575,648**	46,095,053	**35,127,734**	27,914,720
Derivative financial instrument classified as held for trading	**1,187,323**	—	**—**	—
Financial guarantee contracts	**—**	—	**230,224**	41,120

b. Financial risk management objectives and policies

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

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

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

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

6. Financial Instruments *(continued)*

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

(i) Market risk

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank and other loans and amounts due from jointly controlled entities amounting to approximately HK$22,929 million (2009: HK$14,338 million) and approximately HK$931 million (2009: HK$1,151 million) respectively. The Company's cash flow interest rate risk relates to its variable-rate bank loans amounting to approximately HK$22,900 million (2009: HK$14,338 million). The variable-rate bank and other loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The Company's cash flow interest rate risk relates primarily to its variable-rate bank loans. The Group's and the Company's cash flow interest rate risk are mainly concentrated on the fluctuation of HIBOR arising from their HK$ denominated borrowings. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate restricted bank deposits, fixed-rate bank loans and the guarantee notes payable, amounting to approximately HK$450 million (2009: HK$81 million), approximately HK$11,591 million (2009: HK$6,996 million) and approximately HK$10,018 million (2009: HK$2,332 million), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rate amounts due from subsidiaries amounting HK$7,651 million (2009: HK$4,776 million). Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

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

THE GROUP

If interest rates had been 100 (2009: 100) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by HK$86,309,000 (2009: decrease/increase by HK$36,326,000) after capitalising of finance costs in properties under development of HK$133,671,000 (2009: HK$95,548,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans and amounts due from jointly controlled entities.

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

6. Financial Instruments *(continued)*

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

(i) Market risk *(continued)*

Interest rate risk *(continued)*

Interest rate risk sensitivity analysis (continued)

THE COMPANY

If interest rates had been 100 (2009: 100) basis point higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2010 would decrease/increase by HK$228,999,000 (2009: decrease/increase by HK$143,380,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans.

Currency risk

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

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

	THE GROUP		THE COMPANY	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Assets				
HK$	**3,861,935**	2,940,986	**21,024,830**	37,356,594
United States dollars ("US$")	**13,060,183**	6,760,362	**4,810,091**	528,012
Liabilities				
HK$	**24,592,010**	14,637,766	**24,352,705**	15,883,916
US$	**10,148,194**	2,395,830	**10,540,163**	2,380,484

Currency risk sensitivity analysis

The Group and the Company mainly exposes to the currency of US$ and HK$. The following table details the Group's and the Company's sensitivity to a 5% (2009: 5%) increase and decrease in the RMB against US$ and HK$, respectively. 5% (2009: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

6. Financial Instruments *(continued)*

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

(i) Market risk *(continued)*

Currency risk sensitivity analysis *(continued)*

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2009: 5%) change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the currency of the lender or the borrower receivables or payables. A positive number below indicates an increase in profit where RMB strengthens against US$ or HK$. For a 5% (2009: 5%) weakening of RMB against the US$ or HK$, there would be an equal and opposite impact on the profit and the balances below would be negative.

THE GROUP

	2010	2009
	HK$'000	*HK$'000*
RMB against HK$		
Profit for the year	**1,036,504**	584,839
RMB against US$		
Profit for the year	**(145,599)**	(218,227)

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

The COMPANY

	2010	2009
	HK$'000	*HK$'000*
RMB against HK$		
Profit for the year	**166,394**	(1,073,634)
RMB against US$		
Profit for the year	**286,504**	92,624

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

6. Financial Instruments *(continued)*

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

(ii) Credit risk

As at 31 December 2010, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

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

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 50.

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

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

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

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

(iii) Liquidity risk

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

6. Financial Instruments *(continued)*

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

(iii) Liquidity risk *(continued)*

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised loan facilities of approximately HK$5,422 million (2009: HK$2,662 million) as disclosed in note 37.

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

Liquidity and interest risk tables

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	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3–6 months *HK$'000*	6 months to 1 year *HK$'000*	1–5 years *HK$'000*	5+ years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2010 *HK$'000*
2010								
Trade and other payables	—	9,943,592	2,120,114	1,222,413	801,958	15,353	14,103,430	14,103,430
Amount due to a fellow subsidiary	—	353,428	—	—	—	—	353,428	353,428
Amounts due to associates	—	258,703	—	—	—	—	258,703	258,703
Amounts due to jointly controlled entities	—	1,530,187	—	—	—	—	1,530,187	1,530,187
Amounts due to non-controlling interests	6.00	—	—	—	834,693	—	834,693	791,904
Borrowings — variable rate	1.10	1,390,665	557,861	4,201,028	17,396,114	—	23,545,668	22,929,270
Borrowings — fixed rate	5.14	1,669,580	340,813	2,772,207	7,360,270	—	12,142,870	11,590,547
Guaranteed notes payable	5.56	3,856	152,792	280,691	4,183,433	9,886,750	14,507,522	10,018,179
Financial guarantee contracts	—	9,543,000	—	—	—	—	9,543,000	—
		24,693,011	3,171,580	8,476,339	30,576,468	9,902,103	76,819,501	61,575,648

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3–6 months *HK$'000*	6 months to 1 year *HK$'000*	1–5 years *HK$'000*	5+ years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2009 *HK$'000*
2009								
Trade and other payables	—	7,541,287	1,860,131	800,358	752,266	9,522	10,963,564	10,963,564
Amount due to immediate holding company	—	9,659,281	—	—	—	—	9,659,281	9,659,281
Amounts due to associates	—	209,906	—	—	—	—	209,906	209,906
Amounts due to jointly controlled entities	—	524,249	—	—	—	—	524,249	524,249
Amount due to a fellow subsidiary	—	251,292	—	—	—	—	251,292	251,292
Amounts due to non-controlling interests	6.00	—	—	—	864,232	—	864,232	820,310
Borrowings — variable rate	1.15	3,004,762	29,879	561,273	11,046,607	—	14,642,521	14,338,000
Borrowings — fixed rate	5.15	655,500	1,627,137	1,479,730	3,636,966	—	7,399,333	6,996,025
Guaranteed notes payable	5.75	3,871	—	67,275	2,609,100	—	2,680,246	2,332,426
Financial guarantee contracts	—	7,979,000	—	—	—	—	7,979,000	—
		29,829,148	3,517,147	2,908,636	18,909,171	9,522	55,173,624	46,095,053

6. Financial Instruments *(continued)*

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

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables *(continued)*

THE COMPANY

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3–6 months *HK$'000*	6 months to 1 year *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2010 *HK$'000*
2010								
Trade and other payables	—	31,808	—	—	—	—	31,808	31,808
Amounts due to subsidiaries (current)	—	1,866,461	—	—	—	—	1,866,461	1,866,461
Amounts due to subsidiaries (non-current)	5.63	—	—	563,180	2,513,595	8,181,184	11,257,959	10,131,599
Amount due to a jointly controlled entity	—	198,006	—	—	—	—	198,006	198,006
Borrowings — variable rate	1.12	1,361,257	557,861	4,201,028	17,396,114	—	23,516,260	22,899,860
Financial guarantee contracts	—	881,420	—	2,011,039	6,718,898	8,235,059	17,846,416	230,224
		4,338,952	557,861	6,775,247	26,628,607	16,416,243	54,716,910	35,357,958

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3–6 months *HK$'000*	6 months to 1 year *HK$'000*	1–5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2009 *HK$'000*
2009							
Trade and other payables	—	20,140	—	—	—	20,140	20,140
Amount due to immediate holding company	—	9,659,281	—	—	—	9,659,281	9,659,281
Amounts due to subsidiaries (current)	—	1,520,101	—	—	—	1,520,101	1,520,101
Amount due to a subsidiary (non-current)	5.75	—	—	136,688	2,513,887	2,650,575	2,377,198
Borrowings — variable rate	1.15	3,004,762	29,879	561,273	11,046,607	14,642,521	14,338,000
Financial guarantee contracts	—	—	—	33,000	5,156,581	5,189,581	41,120
		14,204,284	29,879	730,961	18,717,075	33,682,199	27,955,840

As disclosed in note 42, the carrying amount of derivative financial liability of HK$1,187,323,000 may be settled by cash within 1.5 to 2 years from the end of the reporting period. At that time, the undiscounted cash outflows will amount to HK$1,233,928,000.

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2010 and 31 December 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK$800,000,000 and HK$2,600,000,000, respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within 1 to 5 year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$806,135,956 (2009: HK$2,675,944,000).

6. Financial Instruments *(continued)*

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

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables *(continued)*

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

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

c. Fair value

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

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

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

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

- The fair value of derivative financial liability is determined using Monte-Carlo simulation model where the main assumptions are the expected volatility of the share price of COGO, probability of cash or equity settlement and the discount rate; and

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

6. Financial Instruments *(continued)*

c. Fair value *(continued)*

Fair value measurements recognised in the statements of financial position *(continued)*

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale financial asset				
Investments in syndicated property project companies	**—**	**—**	**22,867**	**22,867**
Financial liability at FVTPL				
Derivative financial liability	**—**	**—**	**1,187,323**	**1,187,323**

	2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial asset				
Investments in syndicated property project companies	—	—	20,971	20,971

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

The derivative financial liability represented the deferred consideration arisen from the acquisition of additional interest in a subsidiary in December 2010 which has been detailed in note 42. There is no significant change in fair value between the date of inception and at 31 December 2010.

For the fair value measurements of Level 3, the change in one or more of the inputs to reasonably possible assumptions, i.e. 10% increase/decrease would not change the fair value of the derivative financial liability significantly.

6. Financial Instruments *(continued)*

c. Fair value *(continued)*

Fair value measurements recognised in the statements of financial position *(continued)*

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

	Investments in syndicated property projects companies *HK$'000*	Derivative financial liability *HK$'000*
At 1 January 2009	18,654	—
Change in fair value of investments in syndicated property project companies	2,317	—
At 31 December 2009	20,971	—
Change in fair value of investment in syndicated property project companies	1,896	—
Deferred consideration arising from acquisition of additional interest in a subsidiary	—	1,187,323
At 31 December 2010	**22,867**	**1,187,323**

Included in other comprehensive income is an amount of approximately HK$1,896,000 gain relating to investments in syndicated property project companies held at the end of the reporting period and is reported as changes of investment revaluation reserve (2009: HK$2,317,000).

The Company
There were no financial instruments that are measured subsequent to initial recognition at fair value in the Company's statement of financial position.

7. Turnover

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

	2010	2009
	HK$'000	*HK$'000*
Proceeds from sales of properties	**42,962,210**	36,382,883
Property rentals	**293,938**	195,040
Revenue from real estate agency and management services	**798,844**	565,546
Other income *(Note)*	**258,022**	178,161
	44,313,014	37,321,630

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

8. Segment Information

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's chief operating decision makers, for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property development	—	proceeds from sale of properties
Property investment	—	property rentals
Other operations	—	revenue from real estate agency and management services, building design consultancy services and securities trading

Note:

During the year ended 31 December 2010, the analysis of segment assets and segment liabilities (including the interests in associates, jointly controlled entities, syndicated projects and amounts due from/to affiliated companies) are regularly provided to the chief operating decision maker for the purpose of performance assessment and therefore, the segment information of the Group's identifiable assets and liabilities as at 31 December 2010 and 31 December 2009 are presented.

Besides, in the current year, the interest income on amounts due from associates and jointly controlled entities, interest expense on amounts due to non-controlling interests, share of profits of associates and jointly controlled entities are allocated to relevant operating segments which are regularly provided to the chief operating decision maker for the purpose of performance assessment.

8. Segment Information *(continued)*

Segment revenue and results

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

Year ended 31 December 2010

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment revenue	**42,962,210**	**293,938**	**1,056,866**	**44,313,014**
Segment profit	**16,696,530**	**2,283,090**	**170,231**	**19,149,851**

Year ended 31 December 2009

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment revenue	36,382,883	195,040	743,707	37,321,630
Segment profit	10,534,824	1,479,599	160,087	12,174,510

8. Segment Information *(continued)*

Segment revenue and results *(continued)*

Reconciliation of reportable segment profit to the consolidated profit before tax

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

Segment profit represents the profit earned by each segment without allocation of gain on disposal of subsidiaries, a jointly controlled entity and partial interest in a jointly controlled entity, gain on bargain purchase, interest income, central administration costs, directors' salaries, exchange gain and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

	2010 *HK$'000*	2009 *HK$'000*
Reportable segment profit	**19,149,851**	12,174,510
Unallocated items:		
Interest income	**140,656**	141,261
Gain on disposal of subsidiaries	**601,085**	—
Gain on disposal of a jointly controlled entity	**272,918**	—
Gain on disposal of partial interest in a jointly controlled entity	**25,222**	—
Gain on bargain purchase	**905,718**	—
Corporate expenses	**(244,217)**	(115,946)
Finance costs	**(417,343)**	(180,891)
Exchange gain	**133,354**	34,821
Consolidated profit before tax	**20,567,244**	12,053,755

8. Segment Information *(continued)*

Segment assets and liabilities

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

At 31 December 2010

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Segment total** *HK$'000*
Segment assets	**114,397,194**	**14,208,437**	**1,619,276**	**130,224,907**
Segment liabilities	**(55,947,846)**	**(2,563,475)**	**(1,256,943)**	**(59,768,264)**

At 31 December 2009

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment assets	80,254,368	7,840,289	2,160,011	90,254,668
Segment liabilities	(46,507,316)	(1,328,816)	(805,179)	(48,641,311)

At 1 January 2009

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment assets	67,561,599	6,523,010	2,485,684	76,570,293
Segment liabilities	(26,650,043)	(966,507)	(480,041)	(28,096,591)

8. Segment Information *(continued)*

Segment assets and liabilities

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than bank balances and cash; and
- all liabilities are allocated to reportable segments other than borrowings and guaranteed notes payable.

	31.12.2010 *HK$'000*	31.12.2009 *HK$'000*	1.1.2009 *HK$'000*
Reportable segment assets	**130,224,907**	90,254,668	76,570,293
Unallocated items:			
Bank balances and cash	**32,023,494**	23,862,725	9,006,148
Consolidated total assets	**162,248,401**	114,117,393	85,576,441
Reportable segment liabilities	**59,768,264**	48,641,311	28,096,591
Unallocated items:			
Borrowings	**34,519,817**	21,334,025	22,266,031
Guaranteed notes payable	**10,018,179**	2,332,426	2,329,431
Consolidated total liabilities	**104,306,260**	72,307,762	52,692,053

8. Segment Information *(continued)*

Other Segment information

Year ended 31 December 2010

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	**125,992**	**2,316,360**	**73,224**	**2,515,576**
Loss on disposal of property, plant and equipment	**29**	**—**	**25,631**	**25,660**
Depreciation and amortisation	**30,755**	**9,190**	**14,297**	**54,242**
Gain arising from changes in fair value of investment properties	**—**	**1,989,004**	**—**	**1,989,004**
Gain on transfer of completed properties to investment properties	**—**	**26,571**	**—**	**26,571**

Year ended 31 December 2009

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	8,800	3,352	11,941	24,093
Loss on disposal of property, plant and equipment	1,103	—	61	1,164
Depreciation and amortisation	19,176	5,281	16,033	40,490
Gain arising from changes in fair value of investment properties	—	1,319,532	—	1,319,532

Note: Non-current assets exclude financial instruments, investments in syndicated property project companies, interests in associates, interests in jointly controlled entities and deferred tax assets.

Revenue from major products and services

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

8. Segment Information *(continued)*

Information about geographical areas

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

	Turnover by geographical market		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hua Nan Region	**13,087,823**	10,807,584	**1,918,599**	432,943
Hua Dong Region	**9,576,354**	8,335,747	**582,736**	23,496
Hua Bei Region	**6,172,788**	4,325,800	**8,465,977**	5,162,278
Northern Region	**5,159,151**	5,921,566	**456,197**	13,428
Western Region	**9,944,298**	7,360,654	**298,209**	9,171
Hong Kong	**331,945**	318,613	**2,691,182**	2,384,393
Macau	**40,655**	251,666	**145,038**	132,143
	44,313,014	37,321,630	**14,557,938**	8,157,852

Note: Non-current assets excluded financial instruments, investments in syndicated property project companies, interests in associates, interests in jointly controlled entities and deferred tax assets.

Information about major customers

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

9. Other Income and Gains

	2010 HK$'000	2009 HK$'000
Other income and gains include:		
Interest on bank deposits	140,567	141,016
Interest income on amounts due from jointly controlled entities	94,028	64,744
Imputed interest income on amounts due from		
— associates	12,336	12,336
— jointly controlled entities	358,315	184,932
Other interest income	89	245
Total interest income	605,335	403,273
Gain on disposal of partial interest in a jointly controlled entity *(note 43(a))*	25,222	—
Net foreign exchange gains	133,354	34,821

10. Finance Costs

	2010 HK$'000	2009 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	926,244	631,815
Interest on guaranteed notes not wholly repayable within five years	194,758	134,550
Imputed interest expense on amounts due to non-controlling interests	43,921	47,523
Other finance costs	29,517	15,324
Total finance costs	1,194,440	829,212
Less: Amount capitalised in properties under development	(733,176)	(600,798)
	461,264	228,414

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 1.32% (2009: 2.94%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

	2010 HK$'000	2009 HK$'000
Current tax:		
Hong Kong Profits Tax	**2,807**	6,942
Macau income tax	**3,213**	7,227
PRC Enterprise Income Tax ("EIT")	**4,310,569**	2,502,658
PRC withholding income tax	**203,097**	—
LAT	**4,035,203**	1,465,641
	8,554,889	3,982,468
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(559)**	62
EIT	**(1,277)**	76,604
LAT	**(161,218)**	(178,209)
	(163,054)	(101,543)
Deferred tax *(note 40)*		
Current year	**(494,018)**	568,767
Total	**7,897,817**	4,449,692

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for certain PRC subsidiaries of the Company which are taxed at concessionary rates of 22% (2009: 20%) due to transitional provisions, the statutory tax rate of the Company's PRC subsidiaries is 25% from 1 January 2008 onwards.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Macau income tax is calculated at the prevailing tax rate of 12% (2009: 12%) in Macau.

Details of deferred tax are set out in note 40.

11. Income Tax Expense *(continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Profit before tax	**20,567,244**	12,053,755
Tax at the applicable tax rate of 25% (2009: 25%)	**5,141,811**	3,013,439
LAT	**4,035,203**	1,465,641
Tax effect of LAT	**(933,181)**	(366,410)
Tax effect of expenses not deductible for tax purpose	**135,525**	80,642
Tax effect of income not taxable for tax purpose	**(566,265)**	(68,448)
Overprovision in prior years	**(163,054)**	(101,543)
Tax effect of tax losses not recognised	**59,210**	123,103
Utilisation of tax losses previously not recognised	**(6,618)**	(55,628)
Tax effect of share of results of associates and jointly controlled entities	**(83,737)**	(5,730)
Tax effect of differential tax rate for revaluation of properties *(note)*	**249,092**	—
Deferred tax on undistributed earnings of PRC subsidiaries	**57,688**	360,610
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(32,430)**	(43,334)
Income tax at concessionary rates	**(35,611)**	(39,377)
Others	**40,184**	86,727
Income tax expense for the year	**7,897,817**	4,449,692

Note: It represented the deferred tax effect of LAT on the change in fair value of investment properties of the Group. In the current year, the management considered the deferred tax effect by reference to the tax consequences that would follow upon disposal of investment properties.

12. Profit For The Year

	2010 HK$'000	2009 HK$'000 (Restated)
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	9,283	8,497
Depreciation of property, plant and equipment	47,530	36,601
Amortisation of prepaid lease payments for land	2,745	3,889
Amortisation of other intangible asset	3,967	—
Staff costs including directors' emoluments *(Note)*	859,906	568,741
Rental expenses in respect of land and buildings under operating leases	19,550	21,279
Share of tax of		
Associates	3,555	10,545
Jointly controlled entities	453,672	82,562
Loss on disposal of property, plant and equipment	25,660	1,164
Cost of stock of properties recognised as expenses	25,714,183	24,969,258
Cost of inventories recognised as expenses	14,016	6,093
Rental income in respect of investment properties under operating leases, net of outgoings of HK$21,811,000 (2009: HK$21,720,000)	(272,127)	(173,320)

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

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

The total cost recognised in profit or loss of approximately HK$51 million (2009: HK$38 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

13. Directors' Emoluments

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

Year ended 31 December 2010

	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	—	4,206	5,300	12	9,518
Dong Daping	—	1,052	4,253	—	5,305
Lin Xiaofeng	—	822	4,023	—	4,845
Nip Yun Wing	—	2,142	500	12	2,654
Hao Jian Min	844	3,801	5,348	12	10,005
Xiao Xiao	—	3,356	5,128	12	8,496
Wu Jianbin	125	2,537	4,375	12	7,049
Chen Bin	1,367	1,762	4,598	12	7,739
Luo Liang	—	1,134	5,575	—	6,709
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	360	—	—	—	360
Hsu Lai Tai, Rita	360	—	—	—	360
	3,666	20,812	39,100	72	63,650

Year ended 31 December 2009

	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	—	5,296	7,275	12	12,583
Dong Daping	—	360	1,570	—	1,930
Lin Xiaofeng	—	280	1,484	—	1,764
Nip Yun Wing	—	757	186	5	948
Hao Jian Min	—	3,762	6,470	12	10,244
Xiao Xiao	—	3,162	6,190	12	9,364
Wu Jianbin	—	3,171	6,240	12	9,423
Chen Bin	—	1,800	5,495	12	7,307
Zhu Yijian *(resigned on 17 August 2009)*	—	1,297	3,423	7	4,727
Luo Liang	—	1,040	5,091	—	6,131
Wang Man Kwan, Paul *(resigned on 17 August 2009)*	—	1,323	316	7	1,646
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	360	—	—	—	360
Hsu Lai Tai, Rita	360	—	—	—	360
	1,330	22,248	43,740	79	67,397

13. Directors' Emoluments *(continued)*

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

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

No directors waived any emoluments in both years ended 31 December 2010 and 31 December 2009.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2010 and 31 December 2009.

14. Dividends

	2010 ***HK$'000***	2009 *HK$'000*
Interim dividend paid in respect of financial year ended 31 December 2010 of HK10 cents (2009: financial year ended 31 December 2009 interim dividend HK7 cents) per share	**817,205**	571,767
Final dividend paid in respect of financial year ended 31 December 2009 of HK13 cents (2009: financial year ended 31 December 2008 final dividend HK7 cents) per share	**1,062,393**	571,531
	1,879,598	1,143,298

The final dividend of HK17 cents in respect of the financial year ended 31 December 2010 (2009: final dividend of HK13 cents in respect of the financial year ended 31 December 2009) per ordinary share, amounting to approximately HK$1,389 million (2009: approximately HK$1,062 million) has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements.

15. Earnings Per Share

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

	2010 *HK$'000*	2009 *HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**12,373,151**	7,468,928
Adjustment to the profit of the Group based on dilutive earnings per share of COGO	**(8,460)**	—
Earnings for the purpose of diluted earnings per share	**12,364,691**	7,468,928

	2010 *'000*	2009 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,171,068**	8,153,422
Effect of dilutive potential ordinary shares:		
Share options	**3,973**	8,656
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,175,041**	8,162,078

16. Investment Properties

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2009	6,428,067	—	6,428,067
Gain arising from changes in fair value of investment properties	1,319,532	—	1,319,532
At 31 December 2009	7,747,599	—	7,747,599
Additions of land cost and construction costs	—	1,550,633	1,550,633
Reclassified from deposits for land use rights	—	447,595	447,595
Reclassified from properties under development *(note a)*	—	1,021,073	1,021,073
Transfer from completed properties *(note b)*	486,888	—	486,888
Transfer from property, plant and equipment *(note 17)*	3,682	—	3,682
Disposals	(5,013)	—	(5,013)
Acquisition of subsidiaries *(note 41(a))*	723,084	—	723,084
Disposal of subsidiaries *(note 43(b))*	(173,052)	—	(173,052)
Gain arising from changes in fair value of investment properties	1,028,354	960,650	1,989,004
Reclassified to completed investment properties upon completion	647,564	(647,564)	—
Exchange realignment	211,092	51,090	262,182
At 31 December 2010	**10,670,198**	**3,383,477**	**14,053,675**

Notes:

(a) *During the year ended 31 December 2010, properties under development for sale amounting to HK$1,021,073,000 have been reclassified to investment properties under construction and there is no significant difference between the fair value of the properties and their carrying values at the date of transfer.*

(b) *They were reclassified from completed properties due to the change in use of the properties evidenced by the commencement of operating leases. The gain on transfer of completed properties held for sale to investment properties amounted to HK$26,571,000 is recognised in profit or loss at the date of transfer.*

16. Investment Properties *(continued)*

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

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Investment properties:		
In Hong Kong		
On long leases	**471,900**	404,100
On medium-term leases	**2,128,400**	1,883,500
In Macau		
On medium-term leases	**145,000**	132,000
In the PRC		
On medium-term leases	**11,308,375**	5,327,999
	14,053,675	7,747,599

The fair value of the investment properties, including both land and building elements held by the Group (excluding those held by COGO) and the investment properties held by COGO at 31 December 2010 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited and CB Richard Ellis Limited, respectively, who are independent firms of professional valuers not connected with the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair value of the Group's investment properties at 31 December 2009 has been arrived at on the basis of a valuation carried out on that date by DTZ Debeham Tie Leung Limited. The valuation reports on these properties was signed by directors of DTZ Debenham Tie Leung Limited and CB Richard Ellis Limited who are members of The Hong Kong Institute of Surveyors.

The valuation for completed investment properties, was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The valuation for properties under construction (mainly bare land with minimal construction costs incurred) was arrived at by making reference to comparable sales evidence as available in the relevant market.

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

17. Property, Plant and Equipment

	Leasehold land in Hong Kong HK$'000 (Restated)	Leasehold land and buildings HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Total HK$'000 (Restated)
THE GROUP					
COST					
At 1 January 2009	8,025	204,862	36,797	214,901	464,585
Exchange adjustments	—	215	2	267	484
Additions	—	2,665	194	21,234	24,093
Disposals	—	(10,649)	(56)	(21,109)	(31,814)
At 31 December 2009	8,025	197,093	36,937	215,293	457,348
Exchange adjustments	—	4,427	48	6,148	10,623
Additions	—	97,602	621	57,650	155,873
Acquisition of subsidiaries *(note 41(a))*	—	36,415	—	7,023	43,438
Transfer to investment properties *(note 16)*	(3,650)	(3,992)	—	—	(7,642)
Disposals	—	(76,325)	(3)	(20,646)	(96,974)
Disposal of subsidiaries *(note 43)*	—	—	(248)	(10,664)	(10,912)
At 31 December 2010	4,375	255,220	37,355	254,804	551,754
DEPRECIATION					
At 1 January 2009	2,578	25,963	36,152	118,925	183,618
Exchange adjustments	—	32	—	134	166
Provided for the year	124	7,770	202	28,505	36,601
Eliminated on disposals	—	(2,159)	(36)	(14,665)	(16,860)
At 31 December 2009	2,702	31,606	36,318	132,899	203,525
Exchange adjustments	—	734	24	3,579	4,337
Provided for the year	83	14,460	324	32,663	47,530
Transfer to investment properties *(note 16)*	(1,478)	(2,482)	—	—	(3,960)
Eliminated on disposals	—	(3,835)	—	(9,930)	(13,765)
Eliminated on disposal of subsidiaries *(note 43)*	—	—	(76)	(5,225)	(5,301)
At 31 December 2010	1,307	40,483	36,590	153,986	232,366
CARRYING VALUES					
At 31 December 2010	**3,068**	**214,737**	**765**	**100,818**	**319,388**
At 31 December 2009	5,323	165,487	619	82,394	253,823
At 1 January 2009	5,447	178,899	645	95,976	280,967

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

	Buildings *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
At 1 January 2009	950	25,174	26,124
Additions	—	375	375
Disposals	—	(1,339)	(1,339)
At 31 December 2009	950	24,210	25,160
Additions	—	713	713
Disposals	—	(14)	(14)
At 31 December 2010	950	24,909	25,859
DEPRECIATION			
At 1 January 2009	703	19,772	20,475
Provided for the year	62	4,614	4,676
Eliminated on disposals	—	(1,334)	(1,334)
At 31 December 2009	765	23,052	23,817
Provided for the year	62	766	828
Eliminated on disposals	—	(13)	(13)
At 31 December 2010	827	23,805	24,632
CARRYING VALUES			
At 31 December 2010	**123**	**1,104**	**1,227**
At 31 December 2009	185	1,158	1,343
At 1 January 2009	247	5,402	5,649

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

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

	THE GROUP			THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009	**31.12.2010**	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
In Hong Kong						
Long lease	**214**	1,282	1,342	**—**	—	—
Medium-term lease	**76,967**	81,963	85,834	**—**	—	—
In the PRC other than in Hong Kong						
Medium-term lease	**140,624**	87,565	97,170	**123**	185	247
	217,805	170,810	184,346	**123**	185	247

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

Leasehold land in Hong Kong	Over the lease terms
Leasehold land and buildings*	Over the shorter of the terms of the relevant lease or 25 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

* *The allocation of leasehold land and buildings cannot be made reliably.*

18. Prepaid Lease Payments for Land

	THE GROUP			THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009	**31.12.2010**	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Land use rights in the PRC						
Medium-term lease	**38,729**	51,069	61,864	**123**	185	247
Analysed for reporting purposes as						
Non-current asset	**35,984**	47,409	58,204	**61**	123	185
Current asset	**2,745**	3,660	3,660	**62**	62	62
	38,729	51,069	61,864	**123**	185	247

19. Investments in Subsidiaries

	THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Cost of investments, unlisted	**1,974,667**	1,746,798	1,304,616

Particulars of the principal subsidiaries are set out in note 54.

20. Interests in Associates

	THE GROUP		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000	HK$'000
Cost of investments, unlisted	**84,798**	72,651	60,315
Share of post-acquisition profits and other comprehensive income, net of dividends received	**125,699**	107,949	104,266
	210,497	180,600	164,581

Included in the cost of investments is the fair value adjustment of HK$12,147,000 (2009: HK$12,336,000) recognised during the year in respect of the amounts due from associates which are non-current and interest-free.

Set out below are the particulars of the principal associates at 31 December 2010 and 2009 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

20. Interests in Associates *(continued)*

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

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

	2010 ***HK$'000***	2009 *HK$'000*
Total assets	**3,571,490**	3,193,222
Total liabilities	**(6,705,421)**	(6,821,040)
Net liabilities	**(3,133,931)**	(3,627,818)
Group's share of net assets of the associates	**210,497**	180,600
Revenue	**716,352**	792,072
Profit for the year	**286,099**	148,378
Group's share of profits of the associates for the year	**17,750**	3,683

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

	2010 ***HK$'000***	2009 *HK$'000*
Unrecognised share of profits of associates for the year	**156,430**	31,603
Accumulated unrecognised share of losses of associates	**(1,068,953)**	(1,225,383)

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

20. Interests in Associates *(continued)*

The unrecognised share of profits of associates for the year and the accumulated unrecognised share of losses of associates include the Group's share of an associate's interest expenses amounting to approximately HK$24 million (2009: HK$42 million) and approximately HK$1,023 million (2009: HK$999 million) respectively, arising from the amount due to the Group. The Group considers the inflow of economic benefit associated with the interest is uncertain and therefore does not recognise the corresponding interest income. Furthermore, the Group has taken into account an accumulated balance of impairment losses of approximately HK$421 million (2009: HK$421 million) in determining the carrying amount of the amount due from the associate. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount of the asset.

21. Interests in Jointly Controlled Entities

	THE GROUP		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000	HK$'000
Cost of investments, unlisted	**10,784,290**	2,082,060	1,390,213
Share of post-acquisition profits and other comprehensive income, net of dividends received	**539,573**	476,884	557,442
	11,323,863	2,558,944	1,947,655

Included in the cost of investments is the fair value adjustment of HK$286,801,000 (2009: HK$356,069,000) recognised during the year in respect of the amounts due from jointly controlled entities which are non-current and interest free.

Set out below are the particulars of the principal jointly controlled entities at 31 December 2010 and 2009, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These jointly controlled entities are established and operating in the PRC, unless otherwise indicated.

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

Name of entity	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
南京長江第二大橋有限責任公司@	—	65%^	Operation and management of a toll bridge
深圳中海信和地產開發有限公司	50%	50%	Property development
Big Profit Enterprises Limited**	50%	50%	Investment holding
上海中海海軒房地產有限公司	50%	50%	Property development
Elite Mind International Limited*	60%^	60%^	Investment Holding
重慶嘉江房地產開發有限公司	60%^	60%^	Property development
Speedy Champ Investments Limited*	45%^	45%^	Investment Holding
重慶豐盈房地產開發有限公司	45%^	45%^	Property development
寧波中海和協置業發展有限公司	50%	50%	Property development
杭州中海雅戈爾房地產有限公司	50%	50%	Property development
Kingtron Enterprises Limited*	50%	50%	Investment holding
海墅房地產開發(杭州)有限公司	50%	50%	Property development
Fast Right Investments Limited*	50%	50%	Investment holding
杭州世茂世盈房地產開發有限公司	50%	50%	Property development
Empire Land Investments Limited*	50%	50%	Investment holding
重慶嘉益房地產開發有限公司	50%	50%	Property development
山東中海華創地產有限公司	60%^	60%^	Property development
寧波茶亭置業有限公司	35%^	35%^	Property development

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

Name of entity	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
China Real Estate Development Capital Partners G.P. Ltd.***	50%	—	Inactive
China Real Estate Development Capital Partners, L.P. ***	50%	—	Investment holding
Harmony China Real Estate Fund, L.P.***	28%^	—	Investment holding
Novel Wisdom Limited**	53%^	—	Investment holding
中海地產 (瀋陽) 有限公司	77%^	—	Property development
Ring Tide Limited**	78%^	—	Investment holding
中海地產 (青島) 投資開發有限公司	78%^	—	Property development
天津贏超房地產開發有限公司	50%	—	Property development
中海鼎業 (西安) 房地產有限公司	78%^	—	Property development
上海海創房地產有限公司	50%	—	Property development
COLI ICBCI China Investment Management Limited*	45%^	—	Investment advisory
COLI ICBCI China Investment Management (Cayman Islands) Limited***	45%^	—	Fund management
COLI ICBCI China Real Estate G.P. Limited***	50%	—	Fund management
COLI ICBCI China Real Estate S.L.P. Limited***	45%^	—	Fund management
蘇州中海雅戈爾房地產有限公司	51%^	—	Property development
桂林中海國富房地產開發有限公司	20%^	—	Investment holding
上海金鶴數碼科技發展有限公司	33%^	—	Property development
北京通惠房地產開發有限公司	22%^	—	Property development

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

* *Incorporated in Hong Kong*

** *Incorporated in the British Virgin Islands*

*** *Incorporated in the Cayman Islands*

@ *Being disposed of in 2010. Details are set out in note 44.*

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

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

	2010 ***HK$'000***	2009 *HK$'000*
Current assets	**31,181,692**	12,969,824
Non-current assets	**1,012,624**	2,784,963
Current liabilities	**6,344,735**	3,337,029
Non-current liabilities	**14,648,095**	9,950,540
Income recognised in profit or loss	**3,285,945**	1,247,929
Expenses recognised in profit or loss	**2,999,400**	1,282,758
Other comprehensive income	**209,873**	1,315

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

	The GROUP	
	2010 ***HK$'000***	2009 *HK$'000*
Unrecognised share of losses of jointly controlled entities for the year	**30,651**	54,067
Accumulated unrecognised share of losses of jointly controlled entities	**122,377**	91,726

22. Investments in Syndicated Property Project Companies

	THE GROUP		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000	HK$'000
Unlisted			
Available-for-sale equity investments, at fair value	**22,867**	20,971	18,654

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

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

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

* *Incorporated in the British Virgin Islands*

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

The Group

	31.12.2010			31.12.2009			1.1.2009		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from									
— associates	**39,311**	**2,845**	**42,156**	84,579	2,845	87,424	87,263	2,845	90,108
— jointly controlled entities	**8,273,793**	**707,574**	**8,981,367**	7,990,329	1,181,677	9,172,006	3,091,321	979,849	4,071,170
— syndicated property project companies	**154**	**—**	**154**	436	—	436	1,056	—	1,056

23. Amounts due from Associates/Jointly Controlled Entities/Syndicated Property Project Companies *(continued)*

At 31 December 2010, the interest bearing amounts due from associates and jointly controlled entities are carried at variable interest rates ranging from 5.94% to 6.97% per annum. Other interest-free balances due from associates, jointly controlled entities and syndicated property project companies are measured at amortised cost at effective interest rate ranging from 0.8% to 5.4% per annum.

As at 31 December 2009, except for an amount due from a jointly controlled entity of approximately HK$113.8 million carrying fixed interest rate of 8.22% per annum, all the interest bearing amounts due from associates and jointly controlled entities carry prevailing market interest rates ranging from 6.83% to 9.08% per annum. Interest-free balances due from associates, jointly controlled entities and syndicated property project companies are measured at amortised cost at effective interest rate of 6% per annum.

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

At the end of the reporting period, the Group has the following amounts due from jointly controlled entities denominated in foreign currency of the relevant group entities:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from jointly controlled entities denominated in:			
HK$	**576,237**	673,302	—
US$	**3,612,540**	4,609,017	3,119,098

24. Amounts due from Subsidiaries

	THE COMPANY								
	31.12.2010			31.12.2009			1.1.2009		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The amounts comprise:									
Unsecured and due one year after the end of reporting period included in non-current assets	**2,831,431**	**7,650,783**	**10,482,214**	2,707,510	4,432,388	7,139,898	2,731,106	4,549,509	7,280,615
Unsecured and repayable on demand included in current assets	**37,492,353**	**388**	**37,492,741**	36,946,268	43,649	36,989,917	24,420,426	45,786	24,466,212

24. Amounts due from Subsidiaries *(continued)*

The interest bearing amounts due from subsidiaries carry fixed interest rates ranging from 1.1% to 5% (2009: 2.8% to 5%) per annum. The non-interest bearing amounts due are carried at amortised cost at effective interest rate of 5% (2009: 5%) per annum.

Included in the balance are amounts due from subsidiaries of HK$10,482,214,000 (2009: HK$7,139,898,000) expected not to be realised within twelve months from the end of the reporting period and are classified as non-current assets.

At the end of the reporting period, the Company has amounts due from subsidiaries of HK$18,883,483,000 (2009: HK$34,476,210,000) denominated in HK$, the foreign currency of the Company.

25. Other Financial Assets and Liabilities

	THE GROUP			THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009	**31.12.2010**	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Other Financial Assets						
Instalments receivable *(Note a)*	**121**	2,035	763	**—**	—	—
Pledged bank deposits *(Note b)*	**23,605**	28,126	41,680	**—**	—	—
Included in non-current assets	**23,726**	30,161	42,443	**—**	—	—
Other Financial Liabilities						
Financial guarantee contracts due *(Note c)*						
— within one year	**—**	—	—	**38,226**	21,723	11,986
— more than one year, but not exceeding two years	**—**	—	—	**29,359**	18,187	11,986
— more than two years, but not exceeding five years	**—**	—	—	**62,315**	1,210	13,812
— over five years	**—**	—	—	**100,324**	—	—
	—	—	—	**230,224**	41,120	37,784
Less: Amounts due within one year included in current liabilities	**—**	—	—	**(38,226)**	(21,723)	(11,986)
	—	—	—	**191,998**	19,397	25,798

Notes:

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

(b) The pledged bank deposits represent deposits pledged to banks to secure the mortgage loans granted by banks to the home buyers and the banking facilities granted to the Group. The deposits, which carry variable interest rate, ranging from 0.3% to 3.0% (2009: 0.3% to 3.0%) per annum will be released upon the settlement of the relevant bank loans.

(c) Details of the financial guarantee contracts are set out in note 50.

26. Inventories

	THE GROUP		
	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Raw materials and consumables, at cost	**4,154**	3,718	2,999

27. Stock of Properties

	THE GROUP			THE COMPANY		
	31.12.2010 *HK$'000*	31.12.2009 *HK$'000*	1.1.2009 *HK$'000*	**31.12.2010 *HK$'000***	31.12.2009 *HK$'000*	1.1.2009 *HK$'000*
Completed properties	**13,680,263**	8,938,605	7,717,512	**1,751**	1,751	1,775
Properties under development *(note)*	**70,781,712**	41,508,423	46,261,292	**—**	—	—
	84,461,975	50,447,028	53,978,804	**1,751**	1,751	1,775

Note: Included in the amount are properties under development for sale of HK$40,859,316,000 (2009: HK$26,091,523,000) expected not to be realised within twelve months from the end of the reporting period.

28. Investments Held-for-trading

	THE GROUP		
	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Equity securities listed in Hong Kong	**—**	—	9,506

The amount was stated at fair value based on quoted market prices.

29. Trade and Other Receivables

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

Except for the proceeds from sales of properties and rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

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

	THE GROUP			THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009	**31.12.2010**	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Trade receivable, aged						
0–30 days	**2,004,987**	456,328	465,073	**—**	—	—
31–90 days	**389,721**	112,286	208,288	**—**	—	—
Over 90 days	**162,779**	385,014	239,959	**—**	—	—
	2,557,487	953,628	913,320	**—**	—	—
Other receivables	**317,057**	166,671	131,335	**33,640**	27,552	29,446
	2,874,544	1,120,299	1,044,655	**33,640**	27,552	29,446

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

The Group has minimal trade receivable balances which are past due at the end of reporting period.

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

30. Amounts due from Immediate Holding Company/An Associate/Jointly Jointly Controlled Entities/Non-Controlling Interests

The amount due from immediate holding company was unsecured, interest-free and fully settled in 2009.

The amounts due from non-controlling interests are unsecured, interest-free and repayable on demand.

At 31 December 2010, except for the unsecured amounts due from jointly controlled entities of approximately HK$224 million carrying variable interest rates ranging from 6.37% to 6.97% per annum and repayable on demand, the remaining amounts due from jointly controlled entities are unsecured, interest-free and repayable on demand. At 31 December 2009, included in the interest bearing amounts due from jointly controlled entities was an unsecured amount of approximately HK$57 million carrying fixed interest at 8.22% per annum and repayable on demand, the remaining interest bearing amount of approximately HK$83 million was unsecured, carry variable interest at 5.31% per annum and repayable on demand. The non-interest bearing amounts due from jointly controlled entities were unsecured and repayable on demand.

At 31 December 2009, amount due from an associate of approximately HK$143 million was secured by the associate's completed properties allocated to the Group, interest-free and realisable upon sales of those completed properties. Such amount was fully settled in 2010.

31. Bank Balances and Cash

Included in bank balances and cash in the consolidated statement of financial position are restricted bank deposits of HK$449,513,000 (2009: HK$81,269,000) which can only be applied in the designated property development projects.

The Company has no restricted bank deposits at the end of the reporting period.

All bank deposits carry interest at market rates which range from 0.05% to 4.15% (2009: 0.08% to 4.00%) per annum.

As at the end of the reporting period, the Group and the Company have the following bank balances and cash denominated in foreign currencies of the relevant group entities:

	THE GROUP			THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009	**31.12.2010**	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Bank balances and cash denominated in:						
HK$	**2,361,693**	2,911,509	2,668,566	**2,107,708**	2,852,832	1,485,626
US$	**9,264,882**	2,014,572	1,360,168	**4,810,091**	528,012	499,798

32. Trade and Other Payables

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	THE GROUP			THE COMPANY		
	31.12.2010 **HK$'000**	31.12.2009 HK$'000	1.1.2009 HK$'000	**31.12.2010** **HK$'000**	31.12.2009 HK$'000	1.1.2009 HK$'000
Trade payables, aged						
0–30 days	**6,366,823**	4,432,739	4,076,519	**—**	—	—
31–90 days	**427,196**	736,717	401,001	**—**	—	—
Over 90 days	**3,197,265**	2,756,358	1,415,166	**—**	—	—
	9,991,284	7,925,814	5,892,686	**—**	—	—
Other payables	**2,565,108**	1,706,713	960,452	**31,808**	20,140	111,243
Retentions payable	**1,547,038**	1,331,037	971,334	**—**	—	—
	14,103,430	10,963,564	7,824,472	**31,808**	20,140	111,243

Other payables mainly include receipt in advance, other taxes payable and sundry accrued charges.

Of the retentions payable, an amount of approximately HK$784 million (2009: HK$762 million) is due beyond twelve months from the end of the reporting period.

33. Amounts due to Immediate Holding Company/A Fellow Subsidiary/ Associates/Jointly Controlled Entities

The amounts due to immediate holding company, a fellow subsidiary, associates and jointly controlled entities are unsecured, interest-free and repayable on demand.

In 2009, the immediate holding company advanced HK$9,659,281,000 to the Group to maintain the general working capital of the Group, which was fully repaid by the Group in 2010.

34. Amounts due to Subsidiaries

	THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
The amounts comprise:			
Interest bearing at 5.50% to 5.75% (2009: 5.75%) per annum, unsecured and due one year after the end of reporting period included in non-current liabilities	**10,131,599**	2,377,198	2,377,168
Non-interest bearing, unsecured and repayable on demand included in current liabilities	**1,866,461**	1,520,101	1,763,590

35. Share Capital

	THE COMPANY			
	2010		2009	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year	**8,169,023**	**816,902**	7,850,699	785,070
Issue of shares upon open offer	**—**	**—**	314,028	31,402
Issue of shares upon exercise of share options	**3,496**	**350**	4,296	430
At end of the year	**8,172,519**	**817,252**	8,169,023	816,902

All the new shares issued during the year rank pari passu in all respects with the then existing shares.

35. Share Capital *(continued)*

Issue of shares

During the year ended 31 December 2010, the Company issued 3,495,430 shares at HK$1.118 per share to employees upon exercise of the share options granted, giving a total cash consideration of approximately HK$3,908,000.

On 21 January 2009, the Company has issued and allotted 314,027,968 ordinary shares of HK$0.1 each to the existing qualifying shareholders pursuant to an open offer. The net proceeds of the open offer, after deducting the issuing expense of HK$30,346,000, amounting to about HK$2,481,877,000 were used as general working capital of the Group.

During the year ended 31 December 2009, the Company also issued 4,296,464 shares at HK$1.118 per share to employees upon exercise of the share options granted, giving a total cash consideration of approximately HK$4,804,000.

Share option scheme

The Company's share option scheme ("**the Scheme**") was adopted pursuant to an ordinary resolution passed on 18 July 2002. The Scheme shall be valid and effective for a period of 10 years and the purpose of which is to provide incentives to directors and eligible employees to contribute further to the Company. The Board is authorised to grant options under the Scheme to any full-time employee, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares that can be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the date of approval of the Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each participant must not, within any 12-month period, exceed 1% of the shares of the Company in issue. Any further grant of the options in excess of this 1% limit is subject to shareholders' approval. Each grant of options to any director or a substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates in the 12-month period, would result in the shares issued and to be issued upon exercise of all options representing over 0.1% of the Company's share capital in issue or having an aggregate value in excess of HK$5 million, such further grant of options must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK$1 per each grant of options payable as consideration on acceptance, which is recognised in the statement of comprehensive income when received. An option may be exercised at any time during a period of 9 years commencing on the expiry of one year after the offer date. The subscription price per share is determined by the Board and shall be at least the higher of (i) the closing price of the Company's shares on the date of offer; (ii) the average closing price of the shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

35. Share Capital *(continued)*

Share option scheme *(continued)*

The fair value of share options granted is charged to profit or loss on a straight-line basis over the vesting period in accordance with HKFRS 2 "Share-based Payment".

The following table discloses details of the Company's share options held by employees and movements in such holdings:

Date of grant	Exercisable period	Adjusted exercise price per share *HK$*	Number of shares under options granted: Outstanding at 1 January 2010	Movements during the year: Exercised	Movements during the year: Cancelled	At 31 December 2010: Outstanding	At 31 December 2010: Exercisable	Closing price of shares at date of exercise *HK$*
18 June 2004	18 June 2005–17 June 2014	1.118	6,311,193	(3,495,430)	—	2,815,763	2,815,763	14.32 to 17.30
Weighted average exercise price			HK$1.118	HK$1.118	—	HK$1.118	HK$1.118	

Date of grant	Exercisable period	Adjusted exercise price per share *HK$*	Number of shares under options granted: Outstanding at 1 January 2009	Movements during the year: Adjustment#	Movements during the year: Exercised	Movements during the year: Cancelled	At 31 December 2009: Outstanding	At 31 December 2009: Exercisable	Closing price of shares at date of exercise *HK$*
18 June 2004	18 June 2005–17 June 2014	1.118	10,488,000	119,657	(4,296,464)	—	6,311,193	6,311,193	15.64 to 19.00
Weighted average exercise price			HK$1.13	HK$1.118	HK$1.118	—	HK$1.118	HK$1.118	

35. Share Capital *(continued)*

Share option scheme *(continued)*

Details of the share options held by the directors included in the above table are as follows:

	Number of shares under options granted				
	Outstanding at 1 January	Movements during the year Adjustment#	Exercised	Reclassified *(Note)*	Outstanding at 31 December
2010	**3,495,431**	**—**	**(2,136,097)**	**—**	**1,359,334**
2009	3,604,000	41,119	(129,460)	(20,228)	3,495,431

\# *Following the issue of shares pursuant to the open offer in 2009, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Rules Governing the Listing of Securities and the supplementary guidance issued by the Hong Kong Stock Exchange on 5 September 2005.*

Note: No reclassification of share options has been made in 2010. While in 2009, the 20,228 share options reclassified to employees represented the net balance of 262,966 share options held by the directors who had resigned/ceased to act in 2009 and 242,738 share options held by certain directors who were appointed in 2009.

During the year ended 31 December 2004, 65,140,000 options were granted on 18 June 2004 by the Company at the exercise price of HK$1.13 per share. The vesting and exercisable periods regarding these options are as follows:

Number of options granted	Vesting period	Exercisable period
13,028,000	18 June 2004 to 17 June 2005	18 June 2005 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2006	18 June 2006 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2007	18 June 2007 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2008	18 June 2008 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2009	18 June 2009 to 17 June 2014

36. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2009	16,336,796	18,798	1,818	(42,841)	1,439,384	17,753,955
Profit for the year	—	—	—	—	1,431,124	1,431,124
Exchange difference arising on translation of the Company's financial statements from functional currency to presentation currency	—	—	—	29,141	—	29,141
Total comprehensive income for the year	—	—	—	29,141	1,431,124	1,460,265
2008 final dividend paid	—	—	—	—	(571,531)	(571,531)
Issue of shares	2,486,021	—	(826)	—	—	2,485,195
Share issue expenses	(30,972)	—	—	—	—	(30,972)
Recognition of share-based payments	—	—	199	—	—	199
2009 interim dividend paid	—	—	—	—	(571,767)	(571,767)
At 31 December 2009	18,791,845	18,798	1,191	(13,700)	1,727,210	20,525,344
Profit for the year	—	—	—	—	2,103,105	2,103,105
Exchange difference arising on translation of the Company's financial statements from functional currency to presentation currency	—	—	—	(15,605)	—	(15,605)
Total comprehensive income for the year	—	—	—	(15,605)	2,103,105	2,087,500
2009 final dividend paid	—	—	—	—	(1,062,393)	(1,062,393)
Issue of shares upon exercise of share options	4,227	—	(672)	—	—	3,555
2010 interim dividend paid	—	—	—	—	(817,205)	(817,205)
At 31 December 2010	**18,796,072**	**18,798**	**519**	**(29,305)**	**1,950,717**	**20,736,801**

The Company's reserves available for distribution to shareholders at 31 December 2010 represents the retained profits of approximately HK$1,951 million (2009: HK$1,727 million).

37. Borrowings

	THE GROUP			THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009	**31.12.2010**	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans	**34,108,497**	21,334,025	22,266,031	**22,899,860**	14,338,000	11,038,000
Other loan	**411,320**	—	—	**—**	—	—
	34,519,817	21,334,025	22,266,031	**22,899,860**	14,338,000	11,038,000
Secured	**444,226**	—	—	**—**	—	—
Unsecured	**34,075,591**	21,334,025	22,266,031	**22,899,860**	14,338,000	11,038,000
	34,519,817	21,334,025	22,266,031	**22,899,860**	14,338,000	11,038,000

	THE GROUP			THE COMPANY		
	31.12.2010	31.12.2009	1.1.2009	**31.12.2010**	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
The bank loans are repayable as follows:						
Within one year	**9,414,113**	4,364,155	3,946,026	**5,097,500**	877,500	—
More than one year, but not exceeding two years	**7,127,132**	6,352,583	5,517,565	**4,006,400**	3,297,500	390,000
More than two years, but not exceeding five years	**16,767,252**	8,017,287	12,802,440	**12,995,960**	7,563,000	10,648,000
	33,308,497	18,734,025	22,266,031	**22,099,860**	11,738,000	11,038,000
Carrying amount of bank loans that are repayable within two to five years from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**800,000**	2,600,000	—	**800,000**	2,600,000	—
	34,108,497	21,334,025	22,266,031	**22,899,860**	14,338,000	11,038,000
Other loan repayable more than two years, but not exceeding five years	**411,320**	—	—	**—**	—	—
Total bank and other loans	**34,519,817**	21,334,025	22,266,031	**22,899,860**	14,338,000	11,038,000
Less: Amounts classified as current liabilities	**(10,214,113)**	(6,964,155)	(3,946,026)	**(5,897,500)**	(3,477,500)	—
Amounts classified as non-current liabilities	**24,305,704**	14,369,870	18,320,005	**17,002,360**	10,860,500	11,038,000

37. Borrowings *(continued)*

Borrowings with carrying amount of HK$11,590,547,000 (2009: HK$6,996,025,000) bears interest at a fixed rate of 4.37% to 6.53% (2009: 4.86% to 6.75%) per annum and are denominated in Renminbi. The remaining borrowings amounting to HK$22,929,270,000 (2009: HK$14,338,000,000), which are denominated in Hong Kong dollars, is based on HIBOR plus a specified margin. The effective interest rate is 1.11% (2009: 1.15%) per annum.

Other loan as at 31 December 2010 represents a loan obtained from a financial institution in the PRC, which was arranged at the floating rate of 5.85% per annum and repayable in 2013.

Including in the outstanding bank and other loans at 31 December 2010 are the following principal bank loans:

(a) a loan of HK$2,600 million granted on 29 September 2006, repayment of which will commence on 29 September 2010 until 29 September 2011. The loan is unsecured and carries interest at HIBOR plus 0.38%. The effective interest rate is 0.61% (2009: 0.99%) per annum.

(b) a loan of HK$3,500 million granted on 23 August 2007, repayment of which will commence on 23 August 2011 until 23 August 2012. The loan is unsecured and carries interest at HIBOR plus 0.32%. The effective interest rate is 0.55% (2009: 0.81%) per annum.

(c) a loan of HK$3,438 million granted on 28 May 2008, repayment of which will commence on 28 May 2012 until 28 May 2013. The loan is unsecured and carries interest at HIBOR plus 0.90%. The effective interest rate is 1.13% (2009: 1.43%) per annum.

(d) a loan of HK$8,000 million granted on 5 February 2010, repayment of which will commence on 5 August 2013 until 5 February 2015. The loan is unsecured and carries interest at HIBOR plus 1.13%. The effective interest rate is 1.36% per annum.

These principal bank loans shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the loan agreements which include, inter alia, the compliance of certain undertakings given by the Group.

As at the end of the reporting period, the Group has the following bank loans denominated in foreign currencies:

	THE GROUP		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Bank loans denominated in HK$	**22,929,270**	14,338,000	11,038,000

At 31 December 2010, the Group had available approximately HK$5,422 million (2009: HK$2,662 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

38. Guaranteed Notes Payable

	THE GROUP		
	31.12.2010 **HK$'000**	31.12.2009 HK$'000	1.1.2009 HK$'000
Guaranteed notes payable issued in 2005, listed in Hong Kong *(note a)*	**2,335,421**	2,332,426	2,329,431
Guaranteed notes payable issued in 2010, listed in Hong Kong *(note b)*	**7,682,758**	—	—
	10,018,179	2,332,426	2,329,431

Notes:

(a) In 2005, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$300 million equivalent to HK$2,340 million (the "2005 Notes") at the issue price of 99.404%. The 2005 Notes, which bear fixed interest at the rate of 5.75% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2005 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2005 Notes will mature on 13 July 2012 at the principal amount. The fair value of the 2005 Notes at 31 December 2010 was estimated at approximately HK$2,445 million (2009: HK$2,424 million), which was determined based on the closing market price of the 2005 Notes at that date.

(b) In November 2010, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$1,000 million equivalent to HK$7,760 million (the "2010 Notes") at the issue price of 100%. The 2010 Notes, which bear fixed interest at the rate of 5.50% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2010 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2010 Notes will mature on 10 November 2020 at the principal amount. The fair value of the 2010 Notes at 31 December 2010 was estimated at approximately HK$7,652 million, which was determined based on the closing market price of the 2010 Notes at that date.

39. Amounts due to Non-Controlling Interests

The non-controlling interests of certain subsidiaries have provided advances to those subsidiaries which are unsecured and interest-free. Such advances have no fixed repayment terms but repayment will not be demanded within one year from the end of the reporting period. The amounts are carried at amortised cost at average effective interest rate of 6% (2009: 6%) per annum. The principal amount of such advances is amounted to approximately HK$834,693,000 (2009: HK$864,232,000).

40. Deferred Tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

Deferred tax liabilities (assets)

	THE GROUP						
	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Fair value adjustment on properties *HK$'000*	Undistributed earnings of PRC subsidiaries *HK$'000*	Provision for LAT *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2009	32,424	965,924	—	217,688	(485,090)	39,840	770,786
Charge (credit) to profit or loss	4,626	364,757	—	360,610	(165,701)	4,475	568,767
At 31 December 2009	37,050	1,330,681	—	578,298	(650,791)	44,315	1,339,553
Charge (credit) to profit or loss	4,992	918,736	(728,289)	(145,409)	(539,746)	(4,302)	(494,018)
Acquisition of subsidiaries *(note 41(a))*	—	175,639	4,474,500	—	—	(3,522)	4,646,617
Disposal of subsidiaries *(notes 43(b) and (d))*	—	(21,573)	(103,578)	—	—	—	(125,151)
Exchange adjustment	—	47,255	—	—	—	—	47,255
At 31 December 2010	**42,042**	**2,450,738**	**3,642,633**	**432,889**	**(1,190,537)**	**36,491**	**5,414,256**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP		
	31.12.2010 ***HK$'000***	31.12.2009 *HK$'000*	1.1.2009 *HK$'000*
Deferred tax assets	**1,190,537**	650,791	485,090
Deferred tax liabilities	**(6,604,793)**	(1,990,344)	(1,255,876)
	(5,414,256)	(1,339,553)	(770,786)

40. Deferred Tax *(continued)*

Deferred tax liabilities (assets) *(continued)*

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$465 million (31 December 2009: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of approximately HK$6,330 million (2009: HK$6,675 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$363 million (2009: HK$314 million) that will expire within five years from the end of the reporting period. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Company had unused tax losses of approximately HK$238 million (2009: HK$239 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams and may be carried forward indefinitely.

41. Acquisition of Subsidiaries

Year ended 31 December 2010

(a) On 9 September 2009, the Company entered into a conditional subscription agreement with COGO, a public limited company incorporated in Hong Kong which holds investment properties under development and completed properties for sale and its shares are listed on the Hong Kong Stock Exchange. The Company, or one or more special purpose vehicles wholly-owned by the Company (the "Offeror") subscribed for 157,045,368 shares at a consideration of HK$2.90 per share in cash (the "Subscription"), representing approximately 30% of the issued share capital of COGO as at 9 September 2009 and approximately 23.08% of the issued share capital of COGO as enlarged by the Subscription. Star Amuse Limited ("Star Amuse"), an indirectly wholly-owned subsidiary of the Company, subscribed for the 157,045,368 shares at a cash consideration of approximately HK$455 million and the completion of the Subscription took place on 10 February 2010. At the date of completion of the Subscription, COGO is engaged in property development and investment in the PRC.

Following the completion of the Subscription on 10 February 2010, Star Amuse made a voluntary unconditional cash offer (the "Offer") to the shareholders of COGO to acquire all the shares other than those already held or agreed to be acquired by Star Amuse and parties acting in concert with it ("Offer Share"), on the basis of HK$5.00 ("Share Offer Price") in cash for each Offer Share. At the closing date of the Offer, 29 March 2010, Star Amuse has received the valid acceptance in respective of 213,412,876 shares under Offer Share at a cash consideration of approximately HK$1,067 million. Immediately after the Offer, Star Amuse held 370,458,244 shares of COGO representing approximately 54.44% of the entire issued shares of COGO.

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(a) *(continued)*

According to the subscription agreement, Mr. Billy K. Yung, the director and a substantial shareholder of COGO, undertakes that Star Amuse would own no less than 50.1% of the issued share capital of COGO as enlarged by the Subscription. Accordingly, the Group obtained the effective control in COGO on 10 February 2010 and such acquisition has been accounted for using acquisition method. The cash consideration for 50.1% is approximately HK$1,374 million and a gain from bargain purchase of subsidiaries of approximately HK$906 million is credited to the consolidated income statement for the year ended 31 December 2010.

The cash consideration for acquisition of additional interest of 4.34% in relation to shares in COGO acquired from other shareholders under the offer in COGO is approximately HK$148 million and the difference of approximately HK$50 million between the cash consideration paid and the carrying amount of the 4.34% in net asset of COGO of approximately HK$198 million is credited to retained profits during the year ended 31 December 2010.

Subsequent to the Offer, COGO has issued shares to certain investors through private placement and the former management of a subsidiary of COGO. The effective interest in COGO held by the Company has been diluted from 54.44% to 50.1%. The difference of approximately HK$175 million between the cash consideration received for the disposal of partial interest in COGO of approximately HK$176 million and carrying amount of the net assets of COGO of approximately HK$351 million is credited to retained profits.

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(a) *(continued)*

The fair value of net assets acquired in the transaction are as follows:

	HK$'000
Investment properties	723,084
Property, plant and equipment	43,438
Prepaid lease payments for land	3,493
Other intangible assets	42,548
Interests in jointly controlled entities	474,365
Inventories	1,250
Stock of properties	15,220,419
Trade and other receivables	523,287
Amounts due from jointly controlled entities	119,370
Amounts due from non-controlling interests	4,212
Tax prepaid	8,299
Restricted bank deposits	303,462
Cash and cash equivalents	810,656
Trade and other payables	(2,153,327)
Pre-sales deposits	(1,657,690)
Amount due to a jointly controlled entity	(227)
Amounts due to non-controlling interests	(82,555)
Amounts due to related parties	(797,922)
Tax liabilities	(666,525)
Borrowings	(1,747,598)
Deferred tax liabilities	(4,646,617)
	6,525,422
Non-controlling interests	(4,244,876)
Gain from bargain purchase	(905,718)
Total consideration, satisfied by cash	1,374,828
Net cash outflow arising from acquisition:	
Consideration paid in cash	1,374,828
Less: cash and cash equivalents acquired	(810,656)
	564,172

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(a) *(continued)*

The fair value of trade and other receivables, amounts due from jointly controlled entities and non-controlling interests at the date of acquisition amounted to approximately HK$523 million, HK$119 million and HK$4 million, respectively which approximate to the gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that the contractual cash flows not expected to be collected is insignificant.

The Group's interest in the net fair value of the COGO's identifiable assets and liabilities at the date of acquisition exceeds the cost of the business combination as the subscription price for the shares of COGO was lower than the fair value of the net assets acquired. Accordingly, gain from bargain purchase was recognised immediately in the profit or loss.

The fair value of COGO's identifiable assets and liabilities has been reassessed and fair value adjustments on interests in jointly controlled entities and stock of properties are made by reference to the valuation of the properties held by the jointly controlled entities and the subsidiaries of COGO, which has been arrived at on the basis of a valuation carried out on 10 February 2010 by DTZ Debenham Tie Leung Limited. The valuation for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The valuation for properties under construction was arrived at on the basis that they will be developed and completed in accordance with COGO's latest development proposal and by reference to comparable sales evidence as available in the relevant market and where appropriate, taking into account the estimated total construction costs to be incurred.

Non-controlling interests

The non-controlling interests (49.9%) in COGO recognised at the acquisition date was determined by reference to the non-controlling shareholders' share of fair values of the identifiable net assets in COGO, amounting to approximately HK$2,271 million.

Impact of acquisition on the results of the Group

COGO contributed approximately HK$3,494 million and HK$290 million to the Group's revenue and profit respectively for the period between the date of acquisition and 31 December 2010.

Had the acquisition of COGO been effected at 1 January 2010, total group revenue for the year would have been approximately HK$44,332 million, and profit for the year would have been approximately HK$12,609 million. The proforma information is for illustrative purposes only and is not necessary an indication of revenue and result operation of the Group at actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(b) On 15 April 2010, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Great Sky Property Investment Company Limited for a cash consideration of HK$960 million. The acquiree mainly owns land use rights in respect of a piece of land located in Macau for property development. The transaction is accounted for as acquisition of assets.

The net assets acquired in the transaction were as follows:

	HK$'000
Stock of properties	959,867
Other receivables	316
Other payables	(183)
Total consideration, satisfied by cash	960,000
Cash outflow arising on acquisition	960,000

(c) On 11 June 2010, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in 珠海經濟特區卓運房產有限公司 at a cash consideration of approximately RMB304 million (equivalent to HK$348 million). The acquiree mainly owns the land use rights in respect of a piece of land located in Zhuhai, the PRC for property development. The transaction is accounted for as acquisition of assets.

The net assets acquired in the transaction are as follows:

	HK$'000
Bank balances and cash	1,690
Stock of properties	354,687
Other payables	(8,139)
Total consideration, satisfied by cash	348,238
Net cash outflow arising from acquisition:	
Consideration paid in cash	348,238
Less: cash and cash equivalents acquired	(1,690)
	346,548

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(d) On 8 July 2010, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Omar Property at a cash consideration of approximately HK$1,735 million. The acquiree mainly owns the land use rights in respect of a piece of land located in Macau, the PRC for property development. The transaction is accounted for as acquisition of assets.

The net assets acquired in the transaction were as follows:

	HK$'000
Property under development for sale	1,734,549
Other payables	(311)
Total cash consideration, satisfied by cash	1,734,238
Cash outflow arising on acquisition	1,734,238

On 30 September 2010, the Group disposed of 15% equity interest in Omar Property and shareholder's loan of HK$106 million to China State Construction International Holdings Limited ("CSCIHL"), the Company's fellow subsidiary, at a total consideration of approximately HK$264 million. There is no significant difference between the cash consideration received for the partial disposal of equity interest in Omar Property of HK$158,146,000 and the carrying amount of the non-controlling interest in Omar Property at the date of disposal.

Year ended 31 December 2009

(e) On 16 November 2009, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Gold Jade International Holdings Limited for a cash consideration of HK$508 million. The subsidiaries of the acquiree mainly holds a property development project in Hong Kong.

The net assets acquired in the transaction were as follows:

	HK$'000
Properties under development for sale	507,984
Bank balances and cash	16
Total cash consideration, satisfied by cash	508,000
Net cash outflow arising on acquisition:	
Cash consideration paid	508,000
Bank balances and cash acquired	(16)
	507,984

42. Acquisition of Additional Interest in a Subsidiary

In addition to the acquisition of additional equity interest in COGO as disclosed in note 41(a), COGO acquired 30% additional equity interest in a subsidiary and the details are as follows:

On 2 November, 2010, COGO entered into an agreement (the "Acquisition Agreement") with Assure Win Investments Limited ("Assure Win"), Mr. Wang Tao Guang ("Mr. Wang"), Mr. Cheng Yang ("Mr. Cheng") and Kentrise Company Inc., independent third parties of the Group pursuant to which COGO will acquire the remaining 30% non-controlling interests from Assure Win in Pan China Land (Holdings) Corporation ("Pan China Land") and its subsidiaries, which engages in property investment and property development in the PRC. Through the acquisition, the Group increased its effective equity interest in Pan China Land from 70% to 100%. Assure Win is beneficially owned as to 50% by Mr. Wang and as to 50% by Mr. Cheng (the "Vendors"). Kentrise is beneficially wholly owned by Mr. Cheng. The consideration for the acquisition of 30% equity interest in COGO shall be satisfied by COGO by the issue of 246,785,579 ordinary shares of COGO (the "Consideration Shares") or cash payment of HK$1,233,928,000 in accordance with the terms of the Acquisition Agreement.

Pursuant to the terms of the Acquisition Agreement, within 12 months from the date this transaction was approved by the independent shareholders at an extraordinary general meeting of COGO (the "First 12-month Period") if the closing price of the shares of COGO as quoted on the Stock Exchange rises to or above HK$6.6 per share for any ten consecutive trading dates (the "Condition"), COGO shall have the obligation to issue the Consideration Shares to the Vendors.

In the case that the Condition has not been fulfilled within the First 12-month Period, the First 12-month Period will be automatically extended by a further 6-month period following the end of the First 12-month Period (the "Next 6-month Period"). Accordingly, if the Condition is fulfilled during the Next 6-month Period, COGO shall issue the Consideration Shares to the Vendors. In the case that the Condition has not been fulfilled within the First 12-month Period and the Next 6-month Period, the Vendors shall have the right to request COGO to settle the consideration by either issue of the Consideration Shares or cash payment of HK$1,233,928,000 within the 6-month period following the end of the Next 6-month Period (the "Last 6-month Period").

In the event that upon expiry of the Last 6-month Period, the Vendors have not exercised its right to request COGO to settle the consideration by either issue of the Consideration Shares or cash payment, COGO shall not be obliged to allot and issue the Consideration Shares or to pay in cash pursuant to the terms of the Acquisition Agreement, and in such circumstances, all obligations of COGO under the Acquisition Agreement shall be deemed having been fully performed upon the expiry of the Last 6-month Period. According to the Acquisition Agreement, the allotment and issue of the Consideration Shares shall not result in any of Mr. Wang, Mr. Cheng, and Kentrise being interested in more than 9.9% of the then issue share capital of COGO as enlarged by the issue of Consideration Shares.

The transaction was completed on 20 December 2010 upon the shareholders' approval and Pan China Land became the wholly-owned subsidiary of COGO. According to the Acquisition Agreement, the deferred consideration can only be settled by the issue of the Consideration Shares for the First 12-month Period and the Next 6-month Period and cash settlement may only be made in the Last 6-month Period and also, the Consideration Shares are denominated in HK$, which is different from the functional currency of COGO and therefore, the deferred consideration is classified as derivative financial liability with fair value at the date of completion of the transaction of HK$1,187,323,000, which is determined at the date of completion by a professional valuer not connected to the Group. The valuation is arrived at by using the Monte-Carlo simulation model with the major inputs including the historical volatility of share price of comparable listed companies, probability of cash and equity settlement and the discount rate. The difference of HK$167,298,000 between the consideration payable of HK$1,187,323,000 and the non-controlling interests in Pan China Land Group of HK$1,354,621,000 has been recognised in retained earnings. There is no significant change in the fair value of the derivative financial instrument between the date of completion of the transaction and the end of the reporting period. The Condition has been fulfilled on 10 February 2011. Details are set out in note 53.

43. Disposal of Subsidiaries

(a) On 17 March 2010, the Company and one of its subsidiaries entered into a joint venture agreement ("JV Agreement") with independent third parties and a jointly controlled entity of COHL for establishment and management of Harmony China Real Estate Fund L.P. ("HCREF") engaging in property development projects in the PRC. Pursuant to the JV Agreement, HCREF is jointly controlled by the shareholders and the Group held 41.87% effective equity interest in HCREF.

On 22 June 2010, China Overseas (Zhong Guo) Limited ("COZG"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("S&P Agreement") with HCREF in respect of the sale by COZG to HCREF of 65% equity interest in and shareholder's loans to Novel Wisdom Limited ("Novel Wisdom"), 30% equity interest in and shareholder's loans to Ring Tide Limited ("Ring Tide") and 100% equity interest in Asia World (H.K) Limited ("Asia World") respectively, for a total consideration of approximately HK$1,234,599,000 (equivalent to US$158,282,000). Prior to the disposal, Novel Wisdom, Ring Tide and Asia World were the wholly-owned subsidiaries of the Company.

Novel Wisdom was an investment holding company which indirectly held 49% interest in 中海地產(瀋陽)有限公司 ("Shenyang Project Co"), a company established in the PRC and is principally engaged in property development in the PRC. Ring Tide is an investment holding company which indirectly held 100% interest in 中海地產(青島)投資開發有限公司 ("Qingdao Project Co"), a company established in the PRC holding a land use right in respect of a piece of land located in Sibei District, Qingdao City, PRC.

On 25 June 2010, the Company and HCREF entered into a master joint venture agreement ("Master Joint Venture Agreement") to jointly control Novel Wisdom, Ring Tide and Asia World and 中海鼎業(西安)房地產有限公司 ("Xian Project Co"). Pursuant to the Master Joint Venture Agreement, the decision on the operating and financial policies of Novel Wisdom, Ring Tide, Asia World and Xian Project Co requires the unanimous consent of the Company and HCREF. Before entering into the Master Joint Venture Agreement, Xian Project Co is the wholly-owned subsidiary of the Company. Pursuant to the Master Joint Venture Agreement, the Group and HCREF shall make capital contributions to Xian Project Co such that the Group and HCREF shall hold a 70% and 30% equity interest in Xian Project Co respectively.

In September 2010, Asia World and the Group made capital contributions of HK$538,200,000 and HK$203,885,000, respectively to Xian Project Co. After the capital contribution, the Group held 70% equity interest in Xian Project Co and the remaining 30% is held by Asia World.

43. Disposal of Subsidiaries *(continued)*

(a): *(continued)*

The aggregate net assets of the subsidiaries at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	3,905
Stock of properties	6,245,003
Deposits for land use rights for properties held for sale	458,531
Trade and other receivables	44,420
Deposits and prepayments	464,219
Amounts due from fellow subsidiaries	375,006
Amount due from a shareholder	122,579
Tax prepaid	23,185
Bank balances and cash	1,170,881
Trade and other payables	(48,033)
Rental and other deposits	(4,591)
Amounts due to shareholders	(3,783,038)
Pre-sale deposits	(1,144,369)
	3,927,698
The gain on disposal is calculated as follows:	
Cash consideration	1,234,599
Capital contribution from a venturer	538,200
Fair value of interests in jointly controlled entities	2,451,265
	4,224,064
Net assets of subsidiaries disposed of	(3,927,698)
Gain on disposal	296,366
Satisfied by:	
Cash	1,772,799
Interests in jointly controlled entities, at fair value	2,451,265
	4,224,064
Net cash inflow arising on disposal:	
Cash consideration received	1,772,799
Less: bank balances and cash disposed of	(1,170,881)
	601,918

43. Disposal of Subsidiaries *(continued)*

(a): *(continued)*

During the year ended 31 December 2010, the disposed subsidiaries had contributed to the Group's operating cash outflow of approximately HK$1,764,021,000 and investing cash outflow of approximately HK$356,000. The revenue and profits of the disposed subsidiaries included in the Group's consolidated financial statements amounted to HK$242,752,000 and HK$44,962,000, respectively.

Included in gain on disposal is HK$220,905,000, which is the difference between the fair value of retained interest in the disposed subsidiaries of HK$2,451,265,000 and the carrying amount of their net asset value of HK$2,230,360,000.

On 1 December 2010, Luck Park Enterprises Limited, a wholly-owned subsidiary of the Company which held 17.45% equity interest in HCREF, entered into a sale and purchase agreement with an independent third party to dispose of 13.96% equity interest in HCFEF to the independent third party at a cash consideration of HK$325,969,000, resulting in a gain on disposal of partial interest in a jointly controlled entity of HK$25,222,000. Accordingly, the Group's effective interest in HCREF decreased from 41.87% to 27.91%.

43. Disposal of Subsidiaries *(continued)*

(b) On 28 June 2010, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in 廣州海粵房地產發展有限公司 ("廣州海粵"), a wholly-owned subsidiary of the Company, at a cash consideration of HK$582,153,000. 廣州海粵 is engaged in property investment and development in Guangzhou, PRC. The transaction was completed in November 2010.

The net assets of 廣州海粵 at the date of disposal are as follows:

	HK$'000
Investment properties	173,052
Property, plant and equipment	41
Stock of properties	256,764
Other receivables	345,368
Bank balances and cash	20,441
Trade and other payables	(11,055)
Tax liabilities	(108,090)
Deferred tax liabilities	(21,573)
Borrowings	(231,390)
	423,558
Gain on disposal	158,595
Total cash consideration	582,153
Net cash inflow arising on disposal:	
Cash consideration received	582,153
Less: Bank balances and cash disposed of	(20,441)
	561,712

During the year ended 31 December 2010, 廣州海粵 had contributed to the Group's revenue and profit after tax amounting to HK$25,718,000 and HK$7,716,000 respectively. 廣州海粵 had contributed to the Group's operating cash flow of approximately HK$22,891,000, investing cash outflow of approximately HK$17,000 and financing cash inflow of approximately HK$223,661,000.

(c) On 10 September 2009, China Overseas Development (Shanghai) Co., Ltd. ("China Overseas Shanghai"), a wholly-owned subsidiary of the Company, has won an open tender for the acquisition of a piece of land in Shanghai, the PRC at a price of approximately RMB7,006 million (equivalent to HK$7,961 million).

Pursuant to the tender documents, China Overseas Shanghai has set up 上海海創房地產有限公司 ("上海海創"), a wholly-owned subsidiary of China Overseas Shanghai with a paid-up registered capital of RMB10 million (equivalent to HK$11.5 million), as the project company to hold and develop the land.

43. Disposal of Subsidiaries *(continued)*

(c) *(continued)*

On 24 September 2009, China Overseas Shanghai, China State Construction Engineering Corporation Limited ("CSCECL"), an intermediate holding company of the Company, and China State Construction No.8 Engineering Corporation Limited ("CSCNo.8"), a wholly-owned subsidiary of CSCECL, entered into a joint venture agreement, pursuant to which China Overseas Shanghai, CSCECL and CSCNo.8 shall form a joint venture through the transfer of 50% equity interest in 上海海創 by China Overseas Shanghai to CSCECL and CSCNo.8 at a total cash consideration of RMB 5 million (equivalent to HK$5.7 million), such that the equity interests of 上海海創 would be owned by China Overseas Shanghai, CSCECL and CSCNo.8 as to 50%, 30% and 20%, respectively. The transaction was completed on 10 June 2010 and the operating and financial policies of 上海海創 require the unanimous consent by all the shareholders and 上海海創 is accounted for as a jointly controlled entity of the Company.

The net assets of 上海海創 at the date of disposal are as follows:

	HK$'000
Stock of properties	8,327,448
Bank balances and cash	1,278
Amount due to an intermediate holding company	(8,027,282)
Amount due to a shareholder	(170,734)
Other payables	(120,449)
	10,261
The gain on disposal is calculated as follows:	
Cash consideration	5,731
Fair value of interest in a jointly controlled entity	5,130
	10,861
Net assets of subsidiaries disposed of	(10,261)
Gain on disposal	600
Satisfied by:	
Cash	5,731
Interest in a jointly controlled entity, at fair value	5,130
	10,861
Net cash inflow arising on disposal:	
Cash consideration received	5,731
Less: Bank balances and cash disposed of	(1,278)
	4,453

43. Disposal of Subsidiaries *(continued)*

(c) *(continued)*

At the date of disposal, the fair value of retained interest in 上海海創 approximated its carrying amount of the net asset value. In the opinion of directors of the Company, there is no significant difference between the carrying amount of stock of properties held by 上海海創 and its fair value, which is determined by reference to the latest comparable market transactions in the similar locations.

During the year, the disposed subsidiary had contributed to the Group's operating cash outflow of approximately HK$3,959,522,000 and financing cash flow of approximately HK$3,690,685,000. The loss of the disposed subsidiary included in the Group's consolidated financial statements amounted to approximately HK$126,000.

(d) During the year ended 31 December 2010, COGO has disposed of its 90% equity interest in 惠州光大置業有限公司 ("Huizhou Everbright") to a non-controlling interest of Huizhou Everbright at a cash consideration of RMB314,800,000 (equivalent to HK$361,989,000). Huizhou Everbright is engaged in property development in PRC.

The net assets of Huizhou Everbright at the date of disposal are as follows:

	HK$'000
Stock of properties	320,160
Bank balances and cash	1,036
Trade and other payables	(14)
Tax liabilities	(4)
Deferred tax liabilities	(103,578)
Non-controlling interest	(1,135)
	216,465
Gain on disposal	145,524
Total consideration, satisfied by cash	361,989
Net cash inflow arising on disposal:	
Cash consideration	361,989
Less: Bank balances and cash disposed of	(1,036)
	360,953

During the year, the disposed subsidiary had insignificant contribution to the Group's revenue, profit, operating, investing and financing cash flows.

44. Disposal of Jointly Controlled Entity

On 30 September 2010, China Overseas Road & Bridge Holdings Ltd ("CORB"), a wholly-owned subsidiary of the Company, and Ever Power Group Limited ("Ever Power"), a wholly-owned subsidiary of CSCIHL entered into a sale and purchase agreement pursuant to which CORB disposed of its 100% equity interest in China Overseas Technology Limited ("COTHL") to Ever Power at a cash consideration of HK$1,690,000,000. COTHL held 65% equity interest in 南京長江第二大橋有限責任公司 ("南京二橋") which was accounted for as a jointly controlled entity of COTHL prior to the disposal. COTHL is engaged in investment holding and 南京二橋 is engaged in the operation and management of toll bridge in the PRC. The transaction was completed in November 2010.

The net assets of COTHL at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	1,665
Interest in a jointly controlled entity	1,439,991
Trade and other receivables	33
Bank balances and cash	26,387
Trade and other payables	(12,717)
Tax liabilities	(38,277)
	1,417,082
Gain on disposal	272,918
Total consideration	1,690,000
Satisfied by:	
Cash	845,000
Deferred consideration due within one year	845,000
	1,690,000
Net cash inflow arising on disposal:	
Cash consideration	845,000
Less: Bank balances and cash disposed of	(26,387)
	818,613

The deferred consideration is unsecured, interest-free and was fully settled in February 2011.

During the year, the disposed subsidiary had contributed to the Group's investing cash inflow of approximately HK$165,248,000 and its contribution to the Group's operating and financing cash flows is insignificant.

45. Goodwill

	THE GROUP		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
COST	**109,021**	109,021	109,021

At the end of the reporting period, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interest in COPM Subgroup of HK$44,496,000 and Hua Yi Subgroup of HK$64,525,000 acquired during the year ended 31 December 2007 and 31 December 2005, respectively. COPM Subgroup is principally engaged in property management and investment holding while Hua Yi Subgroup is principally engaged in the provision of building design consultancy services and investment holding. For the purposes of impairment testing, the attributable amount of goodwill, having an indefinite useful lives, has been allocated to the other operations segment only.

At the end of the reporting period, management determines that there is no impairment of goodwill based on the estimated recoverable amount of each of these two cash generating units to which the goodwill relates. The recoverable amount of the units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2009: 10%). The 10-year cash flows beyond the 5-year period are projected using a zero (2009: zero) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

46. Other Intangible Asset

	Shopping mall operating right *HK$'000*
THE GROUP	
COST	
At date of acquisition *(note 41(a))*	42,548
Exchange adjustment	1,378
At 31 December 2010	43,926
AMORTISATION	
Charge for the year	3,967
Exchange adjustment	89
At 31 December 2010	4,056
CARRYING VALUE	
At 31 December 2010	39,870

The shopping mall operating right is amortised over 10 years on a straight-line basis based on the estimated remaining useful life of the shopping mall.

47. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	THE GROUP		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash	**32,023,494**	23,862,725	9,006,148
Less: restricted bank deposits *(note 31)*	**(449,513)**	(81,269)	(502,892)
	31,573,981	23,781,456	8,503,256

48. Operating Lease Commitments

The Group as lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of approximately HK$10,670 million (2009: HK$7,748 million) and approximately HK$77 million (2009: HK$83 million) respectively were let out under operating leases.

Property rental income earned during the year is approximately HK$294 million (2009: HK$195 million), of which approximately HK$284 million (2009: HK$185 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to eighteen years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	The GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**306,550**	201,523
In the second to fifth year inclusive	**494,937**	250,981
After five years	**116,823**	87,425
	918,310	539,929

48. Operating Lease Commitments *(continued)*

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	The GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**37,236**	31,957
In the second to fifth year inclusive	**57,212**	63,922
After five years	**40,398**	—
	134,846	95,879

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for two to five years.

The Company as lessee

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	The COMPANY	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**30,184**	24,253
In the second to fifth year inclusive	**40,670**	58,520
	70,854	82,773

49. Project and Other Commitments

At the end of the reporting period, the Group had the following commitments not provided for in the consolidated financial statements:

(a) Expenditure on Property Development Projects

(i) Outstanding lease payments in respect of land use rights in the PRC:

	The GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**8,519,660**	3,976,132
In the second to fifth year inclusive	**—**	23,248
	8,519,660	3,999,380

(ii) Other development expenditure

	The GROUP	
	2010	2009
	HK$'000	*HK$'000*
— Authorised but not contracted	**50,647,087**	40,567,636
— Contracted but not provided for	**15,796,868**	12,348,925
	66,443,955	52,916,561
	74,963,615	56,915,941

	The GROUP	
	2010	2009
	HK$'000	*HK$'000*
(b) Acquisitions authorised but not contracted		
— Subsidiaries	**108,780**	455,432

The Company had no significant project and other commitments at the end of the reporting period.

50. Contingent Liabilities

At the end of the reporting period, there were contingent liabilities as follows:

(a) Guarantees given and indemnities provided by the Group and the Company to banks in respect of credit facilities granted to:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Subsidiaries				
— Maximum	**—**	—	**7,828,416**	2,857,581
— Utilised	**—**	—	**6,296,761**	2,690,581

(b) The Group provided guarantees amounted to approximately HK$9,543 million (2009: HK$7,979 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(c) As disclosed in note 38, the Company also provided guarantee amounted to approximately HK$10,018 million (2009: HK$2,332 million) in respect of the guaranteed note issued by subsidiaries of the Company.

Other than the guarantee provided by the Company as mentioned in item (a) and (c), the directors considered that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates. The fair value of financial guarantee contracts of the Company have been recognised in the Company's financial statements.

51. Pledge of Assets

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

	The GROUP	
	2010 *HK$'000*	2009 *HK$'000*
Leasehold land and buildings included in property, plant and equipment	**29,271**	—
Investment properties	**1,268,041**	—
Stock of properties	**449,153**	—
Trade receivables	**4,155**	—
Bank deposits *(note 25)*	**23,605**	28,126
	1,774,225	28,126

52. Related Party Transactions

Other than the partial disposal of interest in a subsidiary, disposal of subsidiaries and a jointly controlled entity to related parties as disclosed in notes 41(d), 43 and 44 respectively, the Group had the following transactions with related parties:

(a) Pursuant to an agreement entered into in 2003 between a subsidiary of the Company, Shenzhen China Overseas Property Co., Ltd. ("SCOP") and a subsidiary of CSCEC, Shenzhen China Overseas Construction Engineering Company ("SCOCE"), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of approximately RMB185 million. In 2009, construction fees by SCOP to SCOCE under the agreement amounted to approximately HK$23.3 million. No fees were paid by SCOP to SCOCE in 2010.

(b) Certain subsidiaries of the Company had appointed SCOCE as the main contractor for the construction of the property development projects undertaken by them, at an aggregate contract price of approximately RMB220 million. Construction fees paid or payable by the said subsidiaries to SCOCE under the contracts amounted to approximately HK$30.0 million (2009: HK$4.3 million) in respect of the year.

(c) In April 2005, Goodrich Company Limited ("Goodrich"), a subsidiary of the Company, awarded the piling installation works of the Group's property development project in Macau to China Construction Engineering (Macau) Company Limited ("CCE Macau"), a subsidiary of COHL which is itself a subsidiary of CSCEC, at the contract sum of approximately HK$56 million.

In August 2005, a construction management contract was entered into between Goodrich and CCE Macau, under which CCE Macau was appointed as the construction manager of Goodrich for the aforementioned property project in Macau at a management fee of approximately HK$20 million plus a bonus payment for a maximum amount of approximately HK$30 million payable upon the satisfaction of certain conditions stipulated in the said contract.

In 2009, the contract sums and fees paid or payable by the Group under the aforementioned contracts amounted to a total of approximately HK$6 million. No fees were paid or payable by the Group in 2010.

(d) In November 2005, the Company entered into agreements with each of CSCIHL, the Company's fellow subsidiary, SCOCE and CCE Macau individually whereby the Group continues to engage CSCIHL and its subsidiaries ("CSCIHL Group"), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau respectively upon successful tender for each of the three financial years ended 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them shall not exceed HK$900 million, HK$1,600 million and HK$200 million respectively.

In April 2009, the Company entered into a renewal contractor agreement with CSCIHL, pursuant to which the Group may continue to engage CSCIHL and its subsidiaries as contractors with the total contract sum not exceeding HK$1,000 million between 1 July 2009 and 31 December 2009, HK$2,000 million for each of the two years ending 31 December 2011, and HK$1,000 million between 1 January 2012 and 30 June 2012 respectively.

During the year, the total contract sum granted by the Group to CSCIHL and its subsidiaries under the renewal contractor agreements amounted to approximately HK$1,626.9 million (2009: HK$136.9 million).

52. Related Party Transactions *(continued)*

(e) In May 2006, On Success Development Limited ("On Success"), a subsidiary of the Company entered into Master Tenancy Agreement with China Overseas (Hong Kong) Limited ("COHK"), as a subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties as offices of CSCIHL and its subsidiaries. The rent receivable by On Success will be approximately HK$6.6 million, approximately HK$8.6 million and approximately HK$9.0 million for the three years ended 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

In April 2010, the Company entered into a renewal Master Tenancy Agreement with CSCIHL, pursuant to which the Group may continue to lease certain of its properties to CSCIHL and its subsidiaries as offices with rent receivable not exceeding HK$6 million between 1 July 2009 and 31 December 2009, HK$12 million for each of the two years ending 31 December 2011, and HK$6 million between 1 January 2012 and 30 June 2012 respectively.

During the year, the rent received or receivable by the Group from CSCIHL and its subsidiaries under the renewal Master Tenancy Agreement amounted to approximately HK$10.4 million (2009: HK$10.0 million).

(f) In May 2006, China Overseas Security Services Ltd ("COS"), a subsidiary of the Company and CSCIHL entered into a Master Security Agreement pursuant to which COS would provide security services to the worksites of CSCIHL and/or its subsidiaries. The security service fee for each of the three financial years ended 31 December 2008 will not exceed HK$30 million per year.

In April 2009, the Company entered into a renewal Master Security Agreement with CSCIHL, pursuant to which the Group may continue to provide security service to CSCIHL and its subsidiaries with the service fee not exceeding HK$15 million between 1 July 2009 and 31 December 2009, HK$30 million for each of the two years ending 31 December 2011, and HK$15 million between 1 January 2012 and 30 June 2012 respectively.

During the year, the total contract sum granted by the Group to CSCIHL and its subsidiaries under the renewal Master Security Agreement amounted to approximately HK$26.0 million (2009: HK$13.7 million) and the security service fee received or receivable by the Group amounted to approximately HK$5.3 million (2009: HK$12.9 million).

52. Related Party Transactions *(continued)*

(g) In April 2009, the Company entered into an agreement with China State Construction & Engineering Corporation Limited ("CSCECL"), a subsidiary of CSCEC, namely CSCECL Group Engagement Agreement, pursuant to which the Group may continue to engage CSCECL and its subsidiaries as contractor with the total contract sum not exceeding approximately RMB933 million (equivalent to approximately HK$1,061 million) between 1 June 2009 and 31 December 2009, approximately RMB1,600 million (equivalent to approximately HK$1,818 million) for each of the two years ending 31 December 2011, and approximately RMB667 million (equivalent to approximately HK$757.6 million) between 1 January 2012 and 31 May 2012.

In March 2010, the Company entered into a renewed CSCECL Group Engagement Agreement, pursuant to which the Group may continue to engage CSCECL and its subsidiaries as contractor with the total contract sum not exceeding approximately RMB4,500million (equivalent to approximately HK$5,113.6 million) between 1 January 2010 and 31 December 2010, approximately RMB5,000 million (equivalent to approximately HK$5,618.8 million) for each of the two years ending 31 December 2012, and approximately RMB2,500 million (equivalent to approximately HK$2,840.9 million) between 1 January 2013 and 30 June 2013.

During the year, the total contract sum granted by the Group to CSCECL and its subsidiaries under the renewal CSCECL Group Engagement Agreement amounted to approximately RMB2,188.6 million, equivalent to approximately HK$2,572.1 million (2009: RMB763.9 million, equivalent to approximately HK$867.6 million) and the construction cost paid or payable to CSCECL and its subsidiaries amounted to approximately HK$733.9 million (2009: HK$1,672 million).

(h) In June 2010, the Company entered into an agreement with Shenyang Huangu Thermoelectricity Company Limited ("SHTCL"), a subsidiary of CSCIHL, pursuant to which the Group would engage SHTCL as contractor with the total contract sum not exceeding approximately HK$100 million between 1 July 2010 and 31 December 2010 and for the period between 1 January 2011 and 31 December 2011 shall not exceed HK$150 million and for the period between 1 January 2012 and 31 December 2012 shall not exceed HK$150 million.

During the year, the total contract sum granted by the Group to SHTCL under the agreement amounted to approximately HK$72.5 million and the heating pipes connection service cost paid or payable to SHTCL amounted to HK$59.1 million.

(i) The Group had entered into insurance policies with China Overseas Insurance Limited ("COIL"), a subsidiary of CSCEC. The aggregate amount of premium paid or payable by the Group to COIL during the year amounted to approximately HK$1.3 million (2009: HK$0.9 million).

(j) In the ordinary course of business, CSCEC acted as guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the current and prior year.

52. Related Party Transactions *(continued)*

(k) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**107,883**	102,615
Share-based payments	**—**	19
Mandatory Provident fund contribution	**72**	79
	107,955	102,713

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(l) In 2010, the Group has interest income of approximately HK$12.3 million (2009: HK$12.3 million) and approximately HK$452.3 million (2009: HK$249.7 million) from its associates and jointly controlled entities, respectively.

(m) Transactions with other state-controlled entities in the PRC

HKAS 24 (revised 2009) in respect of the partial exemption from disclosure requirements for government related entities has been early adopted by the Group in 2009 and therefore, the Group has taken advantage of the partial exemption from disclosure requirements on the quantitative information on the extent of transactions between the Group and the government related entities.

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled entities"). The directors consider those state-controlled entities are independent third parties so far as the Group's business with them are concerned.

In connection with their property development activities, the Group awarded construction and other works contracts to entities, which to the best knowledge of management, are State-controlled entities.

The Group has also entered into various transactions with PRC government departments or agencies which include the acquisition of land mainly through tendering to those government departments or agencies.

Other than those disclosed in (g) above and the acquisition of land from the government departments or agencies which are mainly attributable to the Group's cost of sales, the directors consider that the other transactions with these state-controlled entities are not significant to the Group.

52. Related Party Transactions *(continued)*

(m) Transactions with other state-controlled entities in the PRC *(continued)*

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities. In view of the nature of those transactions, the directors are of the opinion that quantitative information on the extent of transactions between the Group and the government related entities would not be meaningful.

The Group is active in sales and lease of properties, the provision of real estate agency and management services, logistic and other services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with state-controlled entities. However, the directors are of the opinion that the transactions with state-controlled entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and notes 23, 30, 33 and 44. The details of the Company's amounts due from and to related parties are disclosed in the Company's statement of financial position and notes 24, 30, 33 and 34.

53. Event after the End of the Reporting Period

In respect of the acquisition of 30% additional interest in Pan China Land by COGO as detailed in note 42, the Condition of the Acquisition Agreement has been fulfilled on 10 February 2011. COGO issued 189,493,224 shares to Mr. Wang and Kentrise and accordingly, the Group's effective interest in COGO has been diluted from 50.1% to 40.2%, resulting in the loss of control in COGO. The gain or loss on deemed disposal of interest in COGO will be calculated as the difference between the fair value of the retained interest in COGO, which amounted to approximately HK$2,853 million using the quoted market price of COGO shares, and the net assets of COGO at 10 Feburary 2011, which is to be quantified by the management of COGO. At 31 December 2010, the net assets value of COGO included in the Group's consolidated financial statements is approximately HK$2,808 million.

54. Particulars of Principal Subsidiaries

The following are the particulars of the subsidiaries at 31 December 2010 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Advocate Properties Limited	100,000 shares of HK$1 each	—	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	—	100	Property investment
Arch Regent Investments Limited[i]	1 share of US$1	—	100	Investment holding
北京中海豪庭房地產開發有限公司[iv]	RMB10,000,000	—	100	Property development
北京中海豪峰房地產開發有限公司[iv]	RMB50,000,000	—	100	Property development
北京中海地產有限公司[iv]	RMB50,000,000	—	100	Property development
北京嘉益德房地產開發有限公司[v]	RMB10,000,000	—	100	Property development
北京中海廣場置業有限公司[v]	RMB30,000,000	—	100	Property development
北京億利房地產開發有限公司[iv]	US$12,000,000	—	100	Property development
北京中海海洋花園房地產開發有限公司[iv]	US$11,920,000	—	72	Property development
北京中海物業管理有限公司[v]	RMB5,000,000	—	100	Real estate management
北京古城興業置業有限公司[v]	RMB50,000,000	—	70	Property development
長春中海地產有限公司[iv]	RMB10,000,000	—	100	Property development
China Overseas Building Management Limited	100 shares of HK$1 each	—	100	Real estate management
China Overseas Finance (Cayman) I Limited[vii]	1 share of US$1	100	—	Issuance of guaranteed notes
China Overseas Finance (Cayman) II Limited[vii]	1 share of US$1	100	—	Issuance of guaranteed notes
China Overseas Industrial Holdings Limited	2 shares of HK$1 each	100	—	Investment holding

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
China Overseas Property Agency Limited	2 shares of HK$1 each	—	100	Real estate agency
中海地產集團有限公司[iii]	RMB2,610,200,000	—	100	Property development, trading and investment and investment holding
China Overseas Property Limited	100 shares of HK$10 each	100	—	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
China Overseas Property Services Limited	10 shares of HK$10 each	—	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited[i]	1 share of US$1	100	—	Investment holding
China Overseas Road & Bridge Holdings Limited[i]	1 share of US$1	—	100	Investment holding
China Overseas Security Services Limited	2 shares of HK$1 each	—	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	—	100	Investment holding
Chinatone Industrial Limited	1 share of HK$1	—	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	—	Loan financing, investment holding and security investments
Goodrich Company Limited[viii]	MOP25,000	—	100	Property development
Classic China Products Limited	10,000 shares of HK$100 each	—	100	Investment holding
中海寶松物業發展(深圳)有限公司[ii]	HK$262,500,000	—	100	Property development
中海發展(上海)有限公司[ii]	US$17,000,000	—	100	Property development and trading
中海興業(成都)發展有限公司[ii]	US$99,000,000	—	100	Property development
中海信和(成都)物業發展有限公司[ii]	HK$420,000,000	—	80	Property development
中海振興(成都)物業發展有限公司[ii]	US$49,800,000	—	100	Property development
中海地產重慶有限公司[v]	RMB670,000,000	—	100	Property development
中海興業(寧波)有限公司[ii]	US$33,000,000	—	100	Property development
中海發展(廣州)有限公司[ii]	US$21,000,000	—	100	Investment holding, property development, building construction and project management

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中海興業(西安)有限公司(ii)	US$60,000,000	—	100	Property development
中海發展(蘇州)有限公司(ii)	US$250,000,000	—	100	Property development
中海地產諮詢(上海)有限公司(ii)	US$500,000	—	100	Real estate agency and investment holding
中海物業管理廣州有限公司(v)	RMB15,800,000	—	100	Investment holding and real estate management
中海地產(蘇州)有限公司(v)	US$50,000,000	—	100	Property development
中海發展(杭州)有限公司(v)	US$49,800,000	—	100	Property development
中海地產(杭州)有限公司(ii)	US$99,800,000	—	100	Property development
中海英奧置業(蘇州)有限公司(ii)	US$99,000,000	—	100	Property development
中海地產(佛山)有限公司(ii)	RMB1,100,000,000	—	100	Property development
Dong Kong Holdings Limited	5,000,000 shares of HK$1 each	—	100	Investment holding
Elite Way International Development Limited	1,000,000 shares of HK$1 each	—	100	Property development
Entrepot Limited	100 shares of HK$1 each	—	100	Property development
Further Good Development Limited	100 shares of HK$1 each	—	100	Property trading
Grand Shine Development Limited	1 share of HK$1	100	—	Investment holding
Gain Direct Limited(i)	1 share of US$1	—	100	Investment holding
Gold Jade International Holdings Limited	1 share of HK$1	—	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	—	100	Property development, trading and investment
Great Trend Investment Limited	10,000 shares of HK$1 each	—	100	Investment holding
廣州中海地產有限公司(v)	RMB100,000,000	—	100	Property development
廣州江東房地產開發有限公司(iv)	RMB99,800,000	—	100	Property development
廣州藍灣房地產開發有限公司(v)	RMB15,000,000	—	100	Property development
廣州中海名都房地產發展有限公司(iv)	RMB400,000,000	—	100	Property development
Hainan Ruler Limited(i)	1 share of US$1	100	—	Investment holding
Hua Yi Design Consultants Limited	1,000,000 shares of HK$1 each	100	—	Design consultancy services and investment holding

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
香港華藝設計顧問(深圳)有限公司[(iii)]	RMB12,000,000	—	100	Design consultancy services
Kee Yet Company Limited	2 shares of HK$1 each	—	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	—	100	Investment holding
Macfull Limited	1,000 shares of HK$1 each	—	60	Property development
Macwan Limited	10 shares of HK$1 each	—	70	Property development
Macyat Limited	10,000 shares of HK$1 each	—	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	—	100	Property development
Mepork Services Limited	100 shares of HK$1 each	—	100	Provision of building cleaning, maintenance and security services
南京中海地產有限公司[(v)]	RMB20,000,000	—	100	Property development
南京海潤房地產開發有限公司[(iii)]	US$50,000,000	—	100	Property development
Ocean Group Limited	2 shares of HK$1 each	—	100	Property investment
On Success Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Prosper Sea Developments Limited[(i)]	1 share of US$1	—	100	Investment holding
Right Max Development Limited[(i)]	1,000,000 shares of HK$1 each	—	100	Property development
Rise Stand Developments Limited[(i)]	1 share of US$1	—	100	Investment holding
Safe Future Investments Limited[(i)]	1 share of US$1	—	100	Investment holding
上海萬和房地產有限公司[(iv)]	US$43,340,000	—	95	Property development
上海新海匯房產有限公司[(iv)]	US$40,000,000	—	99.5	Property development
上海中海房地產有限公司[(v)]	RMB10,000,000	—	100	Property development
上海中海海華房地產有限公司[(v)]	RMB10,000,000	—	98	Property development
上海中海海庭房地產有限公司[(v)]	RMB10,000,000	—	98	Property development

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
上海中海海怡房地產有限公司[v]	RMB20,000,000	—	100	Property development
深圳中海地產有限公司[iv]	HK$50,000,000	—	100	Property development
深圳市中海深圳灣房地產開發有限公司[v]	RMB10,000,000	—	100	Property development
深圳市中海日輝台物業發展有限公司[v]	RMB41,791,108	—	100	Property development
深圳市中海龍富房地產開發有限公司[v]	RMB150,000,000	—	100	Property development
深圳市中海電梯工程有限公司[v]	RMB5,000,000	—	100	Real estate management
深圳市中海樓宇科技有限公司[v]	RMB5,000,000	—	100	Real estate management
深圳市中海社區環境工程有限公司[v]	RMB2,000,000	—	100	Real estate management
中海月朗苑物業發展(深圳)有限公司[iii]	HK$10,000,000	—	100	Property development
Silver Yield Development Limited	100 shares of HK$1 each	—	100	Property trading
Splendid Return Limited[i]	50,000 shares of US$1 each	—	100	Investment holding
Techflex Limited[i]	1 share of US$1	—	100	Investment holding
Total Wonder Limited[i]	1 share of US$1	—	100	Investment holding
Wealth Faith Developments Limited[i]	1 share of US$1	—	100	Investment holding
Widenews Company Limited ("Widenews")	2 shares of HK$1 each[x]	—	100	Property development and investment holding
Wing Sea Group Limited[i]	1 share of US$1	—	100	Investment holding
Winwhole Development Limited	100 shares of HK$1 each	—	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	—	100	Investment holding
Yorkley Group Limited	100 shares of HK$1 each	—	100	Investment holding
中海物業管理(上海)有限公司[iii]	US$610,000	—	100	Real estate management

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中山市中海房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
China Super Group Limited(i)	1 share of US$1	—	100	Investment holding
Peak Top Enterprises Limited(i)	1 share of US$1	—	100	Investment holding
Proud Sea International Limited(i)	10 shares of US$1 each	90	—	Investment holding
Seawave Company Ltd(i)	1 share of US$1	—	100	Investment holding
Trade Brilliant Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Treasure Trinity Limited(i)	1 share of US$1	—	100	Investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited(viii)	MOP1,000,000	—	100	Property development
天津中海嘉業投資有限公司(v)	RMB10,000,000	—	100	Property development
天津中海興業房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
青島中海興業房地產有限公司(v)	RMB10,000,000	—	100	Property development
青島中海鼎業房地產有限公司(v)	RMB10,000,000	—	100	Property development
大連中海地產有限公司(v)	RMB20,000,000	—	100	Property development
長春中海物業管理有限公司(v)	RMB1,000,000	—	100	Real estate management
長春海華房地產開發有限公司(ii)	US$49,800,000	—	100	Property development
成都中海物業管理有限公司(v)	RMB3,000,000	—	100	Real estate management
杭州中海房地產有限公司(v)	US$99,800,000	100	—	Property development
佛山市中海興業房地產開發有限公司(v)	US$50,000,000	—	100	Property development
上海錦港房地產發展有限公司(v)	RMB20,000,000	—	100	Property development
中海地產(珠海)有限公司 (formerly known as 中怡華海房地產開發(珠海)有限公司)(v)	RMB405,000,000	—	100	Property development
珠海市志趣咨詢服務有限公司(v)	RMB100,000	—	100	Property development
珠海市永福通咨詢服務有限公司(v)	RMB20,000,000	—	100	Property development
廣逸房地產開發(珠海)有限公司(iv)	HK$1,200,000,000	—	100	Property development
濟南中海地產有限公司(ii)	US$98,000,000	—	100	Property development
上海中海物業管理有限公司(v)	RMB5,050,000	—	100	Real estate management
長春海悦房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
大連中海興業房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
佛山中海千燈湖房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
北京中海豪景房地產開發有限公司(v)	RMB20,000,000	—	100	Property development

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
長春海成房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
青島中海華業房地產有限公司(ii)	RMB680,000,000	—	100	Property development
鉅星(成都)商務服務有限公司(ii)	RMB68,000,000	—	100	Property development
深圳市斯特沃德酒店管理有限公司(v)	RMB5,000,000	—	100	Hotel management
珠海經濟特區卓運房產有限公司(v)	RMB10,000,000	—	100	Property development
Great Sky Property Investment Company Limited(viii)	MOP25,000	—	100	Property development
Omar Property Development Company Limited(viii)	MOP26,000	—	85	Property development
China Overseas Grand Oceans Group Limited (formerly known as Shell Electric Mfg. (Holdings) Company Limited)	767,543,263 shares of HK$0.01 each	—	50.1	Investment holding, property investment and development
China Overseas Grand Oceans Property Group Company Limited (formerly known as China Ever Bright Real Estate Development Limited)(ii)	RMB133,000,000	—	50.1	Investment holding and property development
Jodrell Investments Limited(i)	10 shares of US$1 each	—	50.1	Investment holding
Terborley Limited(i)	100 shares of US$1 each	—	50.1	Investment holding
Moonstar Development Limited	1 share of HK$1	—	50.1	Investment holding
Pan China Land (Holdings) Corporation(vii)	2,000,000 shares of HK$0.1 each	—	50.1	Investment holding
Pandue Investments Limited(i)	100 shares of US$1 each	—	50.1	Investment holding
China Overseas Grand Oceans Investments Limited	1 share of HK$1	—	50.1	Investment holding
Qiangfa Holdings Limited(i)	1 share of US$1	—	50.1	Investment holding
Jet Pacific Investment Limited	1 share of HK$1	—	50.1	Investment holding
Han Yang Limited(i)	1 share of US$1	—	50.1	Investment holding
China Overseas Yin Chuan Investments Limited	1 share of HK$1	—	50.1	Investment holding
Sharp China Limited(i)	1 share of US$1	—	50.1	Investment holding
SLP (China) Pte. Ltd.(ix)	1,700,000 shares of S$1 each	—	40.1	Investment holding
深圳市建地投資有限公司(v)	RMB10,000,000	—	50.1	Investment holding

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
深圳市建禹投資有限公司(v)	RMB10,000,000	—	50.1	Investment holding
北京中海宏洋地產有限公司 (formerly known as 北京光大房地產開發有限公司)(v)	RMB28,000,000	—	50.1	Investment holding and property development
光大物業管理有限公司(v)	RMB5,000,000	—	50.1	Property management
北京快樂城堡購物中心有限公司(v)	RMB10,000,000	—	50.1	Property investment
北京中京藝苑房地產開發有限責任公司(v)	RMB30,000,000	—	50.1	Property development and investment
北京華世柏利房地產開發有限公司(v)	RMB60,000,000	—	40.1	Property development
北京中海宏洋置業有限公司 (formerly known as 北京光大置業有限責任公司)(v)	RMB50,000,000	—	50.1	Investment holding
北京中順超科房地產開發有限公司(v)	RMB10,000,000	—	50.1	Property development
呼和浩特光大環城建設開發有限公司(v)	RMB120,000,000	—	40.1	Property development
呼和浩特市中海宏洋地產有限公司 (formerly known as 呼和浩特市景輝房地產開發有限責任公司)(v)	RMB20,000,000	—	50.1	Investment holding and property development
呼和浩特市榮城房地產開發有限公司(v)	RMB10,000,000	—	50.1	Property development
呼和浩特市榮凱房地產開發有限公司(v)	RMB10,000,000	—	50.1	Property development
呼和浩特市榮恒房地產開發有限公司(v)	RMB10,000,000	—	50.1	Property development
呼和浩特市榮輝房地產開發有限公司(v)	RMB10,000,000	—	50.1	Property development
上海光大置業發展有限公司(v)	RMB15,000,000	—	50.1	Investment holding
合肥光大置業有限公司(v)	RMB20,000,000	—	50.1	Investment holding
廣西光大旅遊投資有限公司(v)	RMB30,000,000	—	47.1	Investment holding
桂林中海宏洋地產有限公司 (formerly known as 廣西桂林光大生態家園開發建設有限公司)(v)	RMB10,000,000	—	33	Property development
桂林建禹地產有限公司(v)	RMB10,000,000	—	50.1	Property development
青島頤景房地產開發有限公司(v)	RMB10,000,000	—	35	Property development
廣州中海橡園房地產開發有限公司 (formerly known as 廣州光大置業有限公司)(v)	RMB10,000,000	—	50.1	Property development
廣州中海宏洋地產有限公司 (formerly known as 廣州市光大花園物業管理有限公司)(iv)	RMB240,867,970	—	50.1	Property management
廣州市光大花園物業管理有限公司(v)	RMB3,000,000	—	50.1	Property management
廣州新都房地產發展有限公司(v)	RMB10,000,000	—	45	Property development
森聯南太湖(湖州)建設發展有限公司(ii)	US$4,499,955	—	40.1	Property development

54. Particulars of Principal Subsidiaries *(continued)*

(i) *Incorporated in the British Virgin Islands*

(ii) *Foreign investment enterprise registered in the PRC*

(iii) *Joint stock limited company established in the PRC*

(iv) *Sino-foreign joint venture registered in the PRC*

(v) *Limited liability company registered in the PRC*

(vi) *Operating principally in the PRC*

(vii) *Incorporated in the Cayman Islands*

(viii) *Incorporated in Macau*

(ix) *Incorporated in Singapore*

(x) *Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.*

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Finance (Cayman) I Limited and China Overseas Finance (Cayman) II Limited, which have issued US$300,000,000 and US$1,000,000,000 guaranteed notes, respectively (see note 38), none of which were held by the Group.

Five Year Financial Summary

(A) Consolidated Results

	For the year ended 31 December				
	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	**2010** ***HK$'000***
Turnover	10,910,234	16,632,553	18,892,373	37,321,630	**44,313,014**
Operating profit	3,059,313	6,600,722	8,623,130	12,030,834	**20,232,298**
Share of (losses) profits of					
Associates	(6,933)	(27,911)	(10,982)	3,683	**17,750**
Jointly controlled entities	433,649	386,276	(26,848)	19,238	**317,196**
Profit before tax	3,486,029	6,959,087	8,585,300	12,053,755	**20,567,244**
Income tax expense	(1,174,070)	(2,741,936)	(3,513,018)	(4,449,692)	**(7,897,817)**
Profit for the year	2,311,959	4,217,151	5,072,282	7,604,063	**12,669,427**
Attributable to:					
Owners of the Company	2,370,750	4,179,579	5,048,637	7,468,928	**12,373,151**
Non-controlling interests	(58,791)	37,572	23,645	135,135	**296,276**
	2,311,959	4,217,151	5,072,282	7,604,063	**12,669,427**

(B) Consolidated Net Assets

	At 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
NON-CURRENT ASSETS					
Investment properties	1,638,580	2,634,750	6,428,067	7,747,599	**14,053,675**
Property, plant and equipment	1,504,331	2,232,366	280,967	253,823	**319,388**
Prepaid lease payments for land	76,861	95,736	58,204	47,409	**35,984**
Interests in associates	141,288	56,907	164,581	180,600	**210,497**
Interests in jointly controlled entities	1,753,783	2,588,406	1,947,655	2,558,944	**11,323,863**
Investments in syndicated property project companies	143,895	15,274	18,654	20,971	**22,867**
Investments in infrastructure projects	127,891	—	—	—	**—**
Amounts due from associates	187,227	271,697	90,108	87,424	**42,156**
Amounts due from jointly controlled entities	439	2,612,797	4,071,170	9,172,006	**8,981,367**
Amounts due from syndicated property project companies	490,954	1,873	1,056	436	**154**
Other financial assets	33,720	95,781	42,443	30,161	**23,726**
Goodwill	64,525	109,021	109,021	109,021	**109,021**
Other intangible asset	—	—	—	—	**39,870**
Deferred tax assets	—	—	485,090	650,791	**1,190,537**
	6,163,494	10,714,608	13,697,016	20,859,185	**36,353,105**
CURRENT ASSETS	29,690,127	53,806,564	71,879,425	93,258,208	**125,895,296**
TOTAL ASSETS	35,853,621	64,521,172	85,576,441	114,117,393	**162,248,401**
NON-CURRENT LIABILITIES					
Bank loans — due after one year	(6,047,000)	(11,289,021)	(18,320,005)	(14,369,870)	**(24,305,704)**
Guaranteed notes payable	(2,323,440)	(2,326,435)	(2,329,431)	(2,332,426)	**(10,018,179)**
Amount due to a fellow subsidiary	—	(135,864)	—	—	**—**
Amounts due to non-controlling interests	(781,020)	(873,557)	(850,983)	(820,310)	**(791,904)**
Derivative financial liability	—	—	—	—	**(1,187,323)**
Deferred tax liabilities	(411,187)	(473,789)	(1,255,876)	(1,990,344)	**(6,604,793)**
	(9,562,647)	(15,098,666)	(22,756,295)	(19,512,950)	**(42,907,903)**
CURRENT LIABILITIES	(11,401,565)	(23,632,404)	(29,935,758)	(52,794,812)	**(61,398,357)**
TOTAL LIABILITIES	(20,964,212)	(38,731,070)	(52,692,053)	(72,307,762)	**(104,306,260)**
NET ASSETS	14,889,409	25,790,102	32,884,388	41,809,631	**57,942,141**
EQUITY ATTRIBUTABLE TO:					
Owners of the Company	15,449,445	26,282,040	33,219,782	42,093,072	**54,734,890**
Non-controlling interests	(560,036)	(491,938)	(335,394)	(283,441)	**3,207,251**
	14,889,409	25,790,102	32,884,388	41,809,631	**57,942,141**

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

Major Properties and Property Interests

1. Particulars of The Group's Interests in Major Completed Properties Held for Investment

	Name of property and location	Use	Lease term	Approximate gross floor area (excluding carparks) *sq m*	Group's interest *%*
(a)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, Office floors 4th to 30th Floors (excluding units A to F on 19th Floor) and 60 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial and carparks	Medium-term lease	19,485	100
(b)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	Commercial and carparks	50 years expiring on 10 June 2051	24,668	100
(c)	China Overseas Plaza, Jianguomenwai Avenue Chaoyang District, Beijing, PRC	Commercial and carparks	50 years expiring on 2 April 2053	138,328	100
(d)	China Overseas Property Plaza, Yong Wai West Bin He Road, Cong Wen District, Beijing, PRC	Commercial and carparks	40 years expiring on 18 March 2043	88,807	100

Note : The Group's interest reflects an interest in the division of the property following completion of a development project.

2. Particulars of The Group's Interests in Major Properties Under Construction Held for Investment

	Name of property and location	Use	Lease term	Approximate gross floor area (excluding carparks) *sq m*	Group's interest *%*
(a)	China Overseas International Building, Bin He West Road, Tanggu District, Tianjin, PRC	Commercial	40 years expiring on 29 July 2049	172,724	100
(b)	One City South, No. 199 Jincheng Road, Gaoxin District, Cheugdu, PRC	Commercial	40 years expiring on 11 November 2048	202,770	100
(c)	La Cité, Ta Wan East Road, Huanggu District, Shenyang, PRC	Commercial	40 years expiring on 18 December 2049	255,000	100
(d)	International Community A-1, Jiu Qu Zhuang Road, Shizhong District, Jinan, PRC	Commercial	40 years expiring on 29 November 2049	146,195	100
(e)	International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan, PRC	Commercial	40 years expiring on 16 September 2049	175,103	100
(f)	The Phoenix, Phoenix West Road, Gulou District, Nanjing, PRC	Commercial	40 years expiring on 11 June 2046	108,500	100
(g)	Grand Waterfront, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai, PRC	Commercial	40 years expiring on 1 February 2048	158,768	100
(h)	Fuhua Project, Bai Shi Road, Xiangzhou District, Zhuhai, PRC	Commercial	40 years expiring on 12 August 2050	167,140	100

3. Particulars of The Group Interests in Major Properties Held under Development

	Name of property and location	Intended use	Stage of completion at 31 December 2010	Expected year of completion	Approximate site area *sq m*	Approximate gross floor area *sq m*	Group's interest %
(a)	International Community, Suzhou Suzhou Industrial Park, Suzhou, PRC	Residential	Construction in progress	2012	662,961	1,481,927	100
(b)	The Phoenix Phoenix West Road, Gulou District, Nanjing, PRC	Commercial/ Residential	Construction in progress	2015	210,000	700,000	100
(c)	Lohas Island South Dushu Lake, Wuzhong District, Ye Pu Tang East, Suzhou, PRC	Residential	Construction in progress	2013	344,643	350,951	100
(d)	International community Jiu Qu Zhuang Road, Shizhong District, Jinan, PRC	Residential	Construction in progress	2016	1,782,000	3,000,000	100
(e)	COLI city Baishan Road, Yuhong District, Shenyang, PRC	Residential	Construction in progress	2018	1,280,000	2,800,000	100
(f)	Olympic City Cross of Ruyi Road and, North of Huanggeken, Longgang Shenzhen, PRC	Residential	Construction in progress	2011	118,799	485,200	100
(g)	Silver Bay Yinkeng Harbour Road, Xiangzhou District, Zhuhai, PRC	Residential	Construction in progress	2014	107,864	332,509	100
(h)	Starcrest A 15 Park, Guicheng Street, Nanhai District, Foshan, PRC	Residential	Construction in progress	2011	154,780	588,165	100
(i)	La Cité Ta Wan East Road, Huanggu District, Shenyang, PRC	Commercial/ Residential	Construction in progress	2018	740,000	2,222,001	100
(j)	Residence 9 Hua Xiang, Fengtai District, Beijing, PRC	Residential	Construction in progress	2013	321,305	395,313	100
(k)	Old city Shijingshan District, Beijing, PRC	Residential	Construction in progress	2013	474,445	916,520	75
(l)	Lake Lantern Qiandang Lake, Nanhai District, Foshan, PRC	Residential	Construction in progress	2014	154,780	811,811	100
(m)	Glorious City Longjing Village, Wuhou District, Chengdu, PRC	Residential	Construction in progress	2012	122,593	343,789	100

Note : The Group's interest reflects an interest in the division of the property following completion of a development project.

4. Particulars of The Group's Interest in Major Properties Held for Sale

	Name of property and location	Use	Approximate gross floor area (excluding carparks) *sq m*	Group's interest *%*
(a)	Majestic City No. 191 Land, Zhabei District, Shanghai, PRC	Residential	109,951	100
(b)	Coastal Palace Kang Qiao Town, Nanhui District, Shanghai, PRC	Residential	190,890	100
(c)	Banyan Coast No. 333, Tai He 2 Street, Gaoxin District, Chengdu, PRC	Residential	291,428	100
(d)	Royal Villa Jinji Lake, Industrial Park District, Suzhou, PRC	Residential	47,288	100
(e)	Windsor Pavilion Chongwen District, Beijing, PRC	Residential	310,312	100
(f)	La Cité Ta Wan East Road, Huanggu District, Shenyang, PRC	Residential	3,275,174	100
(g)	COLI city Baishan Road, Yuhong District, Shenyang, PRC	Residential	2,413,614	100
(h)	International community Nan Huan Cheng Road, Nanguan District, Changchun, PRC	Residential	1,071,778	100
(i)	One City South No. 199, Jincheng Road, Gaoxin District, Chengdu, PRC	Residential	413,603	100

Note : The Group's interest reflects an interest in the division of the property following completion of a development project.

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