



中國海外宏洋集團有限公司

CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code 股份代號:00081

2011 中期報告  
Interim Report 2011

ENTERING  
A NEW DEVELOPMENT  
邁向新里程



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## BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES

### Honourable Chairman

Kong Qingping #

### Chairman and Non-Executive Director

Hao Jian Min

### Executive Directors

Chen Bin *Chief Executive Officer*

Yu Shangyou

Xiang Hong

Wang Man Kwan, (appointed on 11 July 2011)

Paul

Zhu Bing Kun (resigned on 11 July 2011)

### Non-Executive Director

Yung Kwok Kee, Billy *Vice Chairman*

### Independent Non-Executive Directors

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

### Authorized Representatives

Hao Jian Min

Yu Shangyou

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

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

### Audit Committee

Chung Shui Ming, Timpson \*

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

### Remuneration Committee

Hao Jian Min \*

Yung Kwok Kee, Billy

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

### Nomination Committee

Hao Jian Min \*

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

# *not a director of the Company*

\* *Committee Chairman*

## CORPORATE AND SHAREHOLDERS' INFORMATION

### Corporate Information Registered Office

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Facsimile : (852) 2918 5199  
Website : [www.cogogl.com.hk](http://www.cogogl.com.hk)

### Company Secretary

Chong Wai Sang, Edmond

### 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](mailto:is-enquiries@hk.tricorglobal.com)

### Legal Advisor

Mayer•Brown JSM

### Auditor

BDO Limited  
*Certified Public Accountants*

### Principal Bankers

(In Alphabetical Order)  
Bank of China Limited  
Bank of Communication Co., Ltd.,  
Hong Kong Branch  
Bank of Shanghai Co. Ltd.  
China Construction Bank Corporation  
China Merchants Bank Co., Ltd.  
DBS Bank Ltd., Hong Kong Branch  
Hang Seng Bank Limited  
The Hong Kong and Shanghai Banking  
Corporation Limited  
Industrial and Commercial Bank of  
China Limited

### Shareholders' Information Share Listing

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

### Stock Code

#### Shares

Stock Exchange : 00081  
Bloomberg : 81:HK  
Reuters : 0081.HK

### Investor Relations

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# CHAIRMAN'S STATEMENT

## INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011. The Group's unaudited consolidated profit attributable to the owners of the Company for the first half year of 2011 amounted to HK\$803.7 million.

In the last six months, the Group's operating businesses have experienced continuous rapid development. During the period, the Group has penetrated into three third-tier cities in PRC including Jilin, Hefei and Nanning. As of 30 June 2011, the Group has operated in nine cities in the PRC with a land bank reached 5,931,500 square meter ("sq.m.").

The Company has also completed the issuance of 246,785,579 consideration shares in February and May this year for the acquisition of the 30% minority interest in China Overseas Grand Oceans Property Group Co., Ltd. ("COGO"), a wholly-foreign-owned enterprise incorporated in the PRC. Accordingly, potential payment liability of about HK\$505.8 million as stated in the last balance sheet date has been capitalized as equity interest. Since last year end, the Company's share price had increased significantly, reflecting the confidence of investors in the intrinsic value of our Company shares under the new strategic direction.

## RESULTS

Contracted sales for the six months ended 30 June 2011 was HK\$4,240.7 million for an aggregated sold area of 203,319 sq.m., while the Group recorded a turnover and profit attributable to the owners of the Company of HK\$2,054.2 million and HK\$803.7 million respectively. Basic earnings per share was HK87.3 cents.

## PROSPECTS

### The Economy

Up to June 2011, the CPI index has soared by 6.4% year-on-year comparing with a target of 4% for the full year and 3.3% last year in the PRC. Price inflation triggered by external influx of excessive liquidity and internal costs escalation remained the major issues closely monitored by the Central Government. Money supply has been suppressed through numerous increases in the reserve requirement ratio and interest rate since last year end.



## **PROSPECTS** (continued)

### **The Economy** (continued)

While the GDP growth is estimated to ease to 9.3% for the year according to World Bank from a peak of 10.3% last year, the challenge ahead is to strike a balance between the contracting and expanding monetary policy for stabilizing economic growth subtly, in order to secure a sound and sustainable economic development of the PRC as a developing country.

### **Real Estate Development**

Following the new round of nation-wide property industry control measures launched in January early this year, municipal governments in major cities have proclaimed different follow-up rules including restrictions on mortgage financing and acquisition. On one hand, this would alleviate the property price pressure in the first- and second-tier cities, and on the other hand, it may also relieve the core demands in the third-tier cities and allow a healthy development.

Up to June 2011, statistics revealed that property price increases in major cities were contained. Concurrently, the vigorous transaction activities also confirmed the persistent strong core demands as a whole with improving national output, enhanced purchasing power of the general public and stabilized property price in China.

### **Group Strategy**

With the progressive economic transition, China needs to have industrial upgrade and move up the value chain in manufacturing and develops its high value-added service industry for development into a modern society. Massive investment in infrastructure has greatly reduced the inter-city distance and facilitates people mobilization. While China is a vast country with cities at different stage of development, the better developed commercial and industrial businesses from the coastal regions would expand into the inner China mainland areas to deploy untapped natural resources and cheaper labour forces to maintain competitive advantages and operating scales. Rapid industrialization and urbanization in these inland cities are therefore underway.

The Group is thus dedicated to focus on the high-end property markets in third-tier emerging cities with best investment value and growth potentials. In the last six months, the Group has succeeded in entering into three such cities. Going forward, key approaches of the Group would be progressive transformation, sustainable development, and high-end quality production. The Group will continue to expand its land bank in selective third-tier cities for a sustainable business growth.

## **PROSPECTS** *(continued)*

### **Group Strategy** *(continued)*

Noting of the volatile external environment, the Group would closely attend to the impacts to the China economy and property market arising from the global economic environment and capital market.

## **APPRECIATION**

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

By order of the Board

**China Overseas Grand Oceans Group Limited**

**Hao Jian Man**

*Chairman and Non-executive Director*

Hong Kong, 2 August 2011

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE AND OPERATING RESULTS

As a new year of full swing operation in property development business in the PRC, the Group recorded revenue of HK\$2,054.2 million and gross profit of HK\$1,075.9 million for the six months ended 30 June 2011. Revenue was doubled with progressive handover of completed properties pre-sold and stock sales in the period, while gross profit increased by three folds compared to the last corresponding period. Profit margin strengthened from 26.1% in last corresponding period to 52.4% in current period primarily due to increase in average selling price and change in sales mix of property development projects from different cities.

Operating profit increased by HK\$1,214.2 million or 8.3 times against the corresponding period last year and reached HK\$1,360.2 million for the period ended 30 June 2011. The increase was attributable to a number of factors, including: (i) an increase in sales volume and profit margin, (ii) fair value gain of HK\$157.7 million from re-classification of inventories to investment properties, and (iii) recovery of HK\$213.3 million upon fulfillment of contractual liabilities by a third party to re-purchase the Group's interest in a subsidiary in Qingdao, PRC, details of which had been disclosed in the 2009 annual report.

Finance costs increased to HK\$12.9 million from HK\$9.3 million of last corresponding period.

Overall, profit attributable to equity shareholders of the Company amounted to HK\$803.7 million for the six months ended 30 June 2011 (2010: HK\$52.6 million).

### SEGMENT INFORMATION

#### Property Sales and Development

During the period under review, marketing and sales activities under the renowned brand name of "China Overseas Property" was successful with robust demands for the Group's high-end quality housing products. Such product differentiation strategy was particularly prominent in the third-tier cities, where people would be willing to pay a reasonable price to obtain and substitute for better living condition as well as to preserve the value of their major capital investment. Contracted sales was HK\$4,240.7 million, representing a saleable gross floor area of 203,319 sq.m., of which 87.5% has been received at period end date.



## **SEGMENT INFORMATION** *(continued)*

### **Property Sales and Development** *(continued)*

Accordingly, recognized revenue increased to HK\$1,981.0 million (2010: HK\$969.9 million) while segment result soared to HK\$1,168.4 million (2010: HK\$141.6 million) as well mainly due to significant increase in sales and higher profit margin.

At period end date, properties under construction and stock of completed properties amounted to 1,002,785 sq.m. and 110,616 sq.m. respectively, totaling 1,113,401 sq.m.. Properties of 197,587 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

The business activities of the Group's major projects during the period are summarized as follows:

#### ***Banyan Bay, Guangzhou***

Construction work of Zone J Section was progressing well and would be fully completed on schedule in the second half year. Meanwhile, the project continued to record sales of RMB1,484.5 million, representing 62,944 sq.m. in area while revenue recognized on properties handover to buyer (36,783 sq.m.) amounted to RMB738.0 million.

At period end, 97% of the project was sold.

#### ***Academic Pavilion, Beijing***

During the period, further renovation works were carried out to part of the completed properties. Revenue of RMB565.4 million was recognized for sales of 25,603 sq.m. in area. At period end, 83% of the project was sold.

#### ***Glorious City, Hohhot***

The signature project in Hohhot was fully completed during the period and recorded additional sales of RMB233.9 million for 21,082 sq.m. sold. Overall, the project was 98% sold. With progress handover of completed units to buyers, revenue recognized amounted to RMB362.2 million for 53,917 sq.m. in area.

#### ***Royal East, Hohhot***

Pre-sales had been commenced last year. In this period, additional contracted sales of RMB410.7 million for 59,260 sq.m. in area was recorded.

## SEGMENT INFORMATION (continued)

### Property Sales and Development (continued)

#### *The Oakwood, Guangzhou*

Pre-sales of the project was commenced on 26 March 2011. The prestigious location and quality of the development attracts popular responses with contracted sales reached RMB1,207.0 million for 53,079 sq.m. in area for the period.

The Group owns 100% equity interest of the above property development projects.

## LAND BANK

As the Group strategy is to expand into potential third-tier cities in the PRC, the Group succeeded in entering into three emerging cities including Jilin, Hefei and Nanning during the period. New acquisitions of land parcels with total gross floor area 965,800 sq.m. approximately amounted to RMB1,726.9 million in aggregate.

As at 30 June 2011, total land reserves of the Group is estimated available to build gross floor area of approximately 5,931,500 sq.m. (of which, 4,773,100 sq.m. are attributable to the Group) in the PRC.

During the period, construction work had been commenced for part of the reserved land parcels in Hohhot and Shanghu, Beijing as well as the new project in Jilin.

The status of the other projects listed below has not changed materially from the descriptions given in the Group's 2010 annual report:

- The Guilin projects at Mau Er Shan, and Guilin Environment Garden
- The Yinchuan project, and
- The Beijing Tonghui River project (held under a jointly controlled entity)

## **PROPERTY LEASING**

For the period ended 30 June 2011, rental income amounted to HK\$48.0 million (2010: re-stated as HK\$31.3 million) with a segment profit of HK\$190.2 million (2010: re-stated as HK\$9.0 million). This includes a fair value gain of HK\$157.7 million (2010: HK\$11.3 million) from the investment properties and contribution from the jointly controlled entities of HK\$1.2 million (2010: loss of HK\$0.1 million).

At period end, occupancy rates for the China Overseas International Center (previously translated as “China Overseas World Center”) in Xicheng District, Beijing and the scientific research office building in the Zhang Jiang High-tech Zone in Shanghai were about 90% and 76% let respectively. The Group owns 100% and 65% of these projects respectively.

## **ISSUANCE OF CONSIDERATION SHARES**

In relation to the acquisition of the remaining 30% minority interest in COGO as disclosed in the circular dated 26 November 2010, the wholly-foreign-owned enterprise incorporated in the PRC, through which, the Group conducted a majority of its existing property development and investment business, the Company had issued 189,493,224 and 57,292,355 consideration shares (in aggregate, 246,785,579 shares) on 22 February 2011 and 5 May 2011 respectively as the full settlement of the purchase consideration.

Accordingly, the number of shares of the Company in issue has increased to 1,014,328,842.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As a Hong Kong incorporated and listed entity, the Company and its subsidiaries have multiple accesses to funds from both investors and financial institutions in the PRC and international market through Hong Kong as a leading international financial center.

As at 30 June 2011, total borrowings (net of repayment of HK\$719.1 million in the period), increased by 40.6% to HK\$3,160.3 million against last year end. Interest was charged at floating rates with a weighted average of 5.01% per annum. About 24.7% of the borrowings is repayable within one year.

## FINANCIAL RESOURCES AND LIQUIDITY (continued)

On the other hand, net working capital amounted to HK\$5,084.2 million as of 30 June 2011, (31 December 2010: HK\$3,368.6 million) with a quick ratio of 0.9 (31 December 2010: 0.7). With significant sales achieved during the period, cash and cash equivalents were 82.6% higher at HK\$3,451.8 million compared with the last financial year end (HK\$1,890.6 million).

Accordingly, the Group was at net cash position (i.e. cash and cash equivalents plus restricted cash and deposits exceed the total borrowings) as at 30 June 2011. Interest income from surplus cash also exceeded interest expenses after capitalization.

Taking into consideration of the unutilized bank credit facilities available to the Group of HK\$776.8 million, the Group's total available funds reached HK\$4,228.6 million as at 30 June 2011. The Group would regularly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.

## FOREIGN EXCHANGE EXPOSURE

As at 30 June 2011, about 76% and 24% of the Group's borrowings were denominated in Renminbi and Hong Kong Dollar respectively. As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. While the Group would closely monitor the volatility of the Renminbi exchange rate, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

## CAPITAL COMMITMENTS AND GUARANTEE

During the period under review, the Group had capital commitments totaling HK\$6,727.8 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$2,604.4 million, (equivalent to RMB2,165.8 million) mainly for facilitating end-user mortgages in connection with its PRC property sales as a usual commercial practice.

## CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK\$2.9 million approximately during the period under review, mainly referred to additions in motor vehicles, furniture and fittings.

## **CAPITAL EXPENDITURE AND CHARGES ON ASSETS** *(continued)*

On the other hand, as at 30 June 2011, certain property assets and trade receivables with an aggregate carrying value of HK\$1,616.4 million in the PRC were pledged to secure 13.3% of the group borrowings, or HK\$420.9 million (equivalent to RMB350.0 million) from certain PRC banks.

## **EMPLOYEES**

As at 30 June 2011, the Group has approximately 295 employees (31 December 2010: 214). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition.

## CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2011 and the comparative figures for the corresponding period in 2010 are as follows:

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>2,054,172</b>	1,025,567
Cost of sales and services provided		<b>(978,282)</b>	(757,448)
Gross profit		<b>1,075,890</b>	268,119
Other income	6	<b>14,093</b>	3,174
Distribution and selling expenses		<b>(48,987)</b>	(13,178)
Administrative expenses		<b>(89,198)</b>	(120,069)
Other operating expenses		<b>(815)</b>	(3,625)
Other gains			
Fair value gain on reclassification of inventories of properties to investment properties		<b>157,657</b>	–
Fair value gain on investment properties		–	11,326
Gain on disposal of a subsidiary	18	<b>213,340</b>	–
Reversal of impairment on assets		<b>22,329</b>	–
Others		<b>15,915</b>	300
<b>Operating profit</b>		<b>1,360,224</b>	146,047
Finance costs	7	<b>(12,882)</b>	(9,327)
Share of results of jointly controlled entities		<b>1,100</b>	(218)
<b>Profit before income tax</b>	8	<b>1,348,442</b>	136,502
Income tax expense	9	<b>(547,912)</b>	(81,470)
Profit for the period from continuing operations		<b>800,530</b>	55,032
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	10	–	17,926
<b>Profit for the period</b>		<b>800,530</b>	72,958



CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

		<b>Six months ended 30 June</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited)
Notes		<b>HK\$'000</b>	HK\$'000
<b>Profit/(Loss) for the period attributable to:</b>			
	Owners of the Company	<b>803,707</b>	52,596
	Non-controlling interests	<b>(3,177)</b>	20,362
		<b>800,530</b>	72,958
		<b>HK Cents</b>	HK Cents
<b>Earnings per share</b>			
	Basic		
	– From continuing and discontinued operations	<b>87.3</b>	7.9
	– From continuing operations	<b>87.3</b>	5.2
	– From discontinued operations	–	2.7
	Diluted		
	– From continuing and discontinued operations	<b>79.7</b>	7.7
	– From continuing operations	<b>79.7</b>	5.0
	– From discontinued operations	–	2.7

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Profit for the period</b>	<b>800,530</b>	72,958
<b>Other comprehensive income</b>		
Exchange difference arising from translation of overseas operations		
– subsidiaries	<b>80,976</b>	11,228
– associates and jointly controlled entities	<b>5,342</b>	2,151
	<b>86,318</b>	13,379
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	<b>(8,305)</b>	(36,802)
Income tax	<b>3,125</b>	14,345
	<b>(5,180)</b>	(22,457)
<b>Other comprehensive income for the period, net of tax</b>	<b>81,138</b>	(9,078)
<b>Total comprehensive income for the period</b>	<b>881,668</b>	63,880
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>881,458</b>	47,915
Non-controlling interests	<b>210</b>	15,965
	<b>881,668</b>	63,880

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		1,583,941	1,309,549
Property, plant and equipment	13	33,844	40,214
Prepaid lease rental on land		3,502	3,458
Goodwill		87,133	86,258
Other intangible assets		38,465	39,870
Interests in jointly controlled entities		235,891	229,449
Deferred tax assets		98,682	96,442
		<b>2,081,458</b>	1,805,240
<b>Current assets</b>			
Inventories of properties		6,058,148	5,068,407
Other inventories		1,003	840
Trade and other receivables, prepayments and deposits	14	2,077,434	1,683,279
Prepaid lease rental on land		87	85
Amounts due from jointly controlled entities		126,497	123,644
Amounts due from minority shareholders		11,664	11,399
Tax prepaid		35,045	14,863
Restricted cash and deposits		886,727	337,415
Cash and cash equivalents		3,451,787	1,890,555
		<b>12,648,392</b>	9,130,487

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	Notes	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	15	<b>1,405,932</b>	1,573,126
Sales deposits received		<b>3,654,133</b>	1,876,686
Amount due to a jointly controlled entity		<b>240</b>	234
Amounts due to minority shareholders		<b>369,119</b>	–
Consideration payable for acquisition of a subsidiary		<b>69,299</b>	67,726
Taxation liabilities		<b>1,283,808</b>	1,306,294
Borrowings	16	<b>781,625</b>	937,810
		<b>7,564,156</b>	5,761,876
<b>Net current assets</b>		<b>5,084,236</b>	3,368,611
<b>Total assets less current liabilities</b>		<b>7,165,694</b>	5,173,851
<b>Non-current liabilities</b>			
Borrowings	16	<b>2,378,714</b>	1,309,690
Consideration payable for acquisition of non-controlling interests		–	505,803
Deferred tax liabilities		<b>604,531</b>	560,079
		<b>2,983,245</b>	2,375,572
<b>Net assets</b>		<b>4,182,449</b>	2,798,279
<b>Capital and reserves</b>			
Share capital	17	<b>10,143</b>	7,675
Reserves		<b>4,002,902</b>	2,667,739
Equity attributable to owners of the Company		<b>4,013,045</b>	2,675,414
Non-controlling interests		<b>169,404</b>	122,865
<b>Total equity</b>		<b>4,182,449</b>	2,798,279

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Share-based payment reserve of subsidiaries	Translation reserve	Assets revaluation reserve	Statutory reserve	Distribution reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	261,742	640,099	44,822	143,120	255,484	95,450	64,130	-	-	1,366,796	2,871,643	459,552	3,331,195
Net profit for the period	-	-	-	-	-	-	-	-	-	52,596	52,596	20,362	72,958
Other comprehensive income	-	-	-	-	11,002	(15,683)	-	-	-	-	(4,681)	(4,397)	(9,078)
Total comprehensive income for the period	-	-	-	-	11,002	(15,683)	-	-	-	52,596	47,915	15,965	63,880
Capital Reorganization (note 17(ii))	(256,507)	(640,099)	-	-	-	-	-	896,606	-	-	-	-	-
Recognition of share-based payments	-	-	-	51,310	-	-	-	-	-	-	51,310	21,990	73,300
Distribution in specie (note 10)	-	-	-	-	(156,679)	(1,645)	(6,791)	(896,606)	-	(891,186)	(1,952,907)	(12,079)	(1,964,986)
Subscription of new shares (note 17(iii))	1,570	453,861	-	-	-	-	-	-	-	-	455,431	-	455,431
Placing of new shares (note 17(v))	410	204,590	-	-	-	-	-	-	-	-	205,000	-	205,000
Issue of new shares and cancellation of management options (note 17(vi))	460	33,378	-	(154,583)	-	-	-	154,345	-	-	33,600	-	33,600
Share issue expenses (note 17(iii) to (v))	-	(9,188)	-	-	-	-	-	-	-	-	(9,188)	-	(9,188)
Deemed disposal of interests in a subsidiary (note 19)	-	-	-	(39,847)	(4,852)	-	-	-	-	19,223	(25,476)	33,500	8,024
Transactions with owners	2,440	682,641	-	(143,120)	(161,531)	(1,645)	(6,791)	(896,606)	154,345	(871,963)	(1,242,230)	43,411	(1,198,819)
At 30 June 2010 (Unaudited)	7,675	682,641	44,822	-	104,955	78,122	57,339	-	154,345	547,429	1,677,328	518,928	2,196,256
<b>At 1 January 2011</b>	<b>7,675</b>	<b>682,584</b>	<b>44,822</b>	<b>-</b>	<b>160,924</b>	<b>55,997</b>	<b>70,609</b>	<b>-</b>	<b>835,865</b>	<b>816,938</b>	<b>2,675,414</b>	<b>122,865</b>	<b>2,798,279</b>
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	803,707	803,707	(3,177)	800,530
Other comprehensive income	-	-	-	-	82,931	(5,180)	-	-	-	-	77,751	3,387	81,138
Total comprehensive income for the period	-	-	-	-	82,931	(5,180)	-	-	-	803,707	881,458	210	881,668
2010 final dividend paid	-	-	-	-	-	-	-	-	-	(101,433)	(101,433)	-	(101,433)
Conversion of consideration payable for acquisition of non-controlling interests	-	-	-	-	-	-	-	-	557,669	-	557,669	-	557,669
Issue of new shares (note 17(vii))	2,468	1,236,721	-	-	-	-	-	-	(1,239,189)	-	-	-	-
Share issue expenses (note 17(vii))	-	(63)	-	-	-	-	-	-	-	-	(63)	-	(63)
Contribution from non-controlling interests of a new subsidiary	-	-	-	-	-	-	-	-	-	-	-	46,329	46,329
Transactions with owners	2,468	1,236,658	-	-	-	-	-	-	(681,520)	(101,433)	456,173	46,329	502,502
At 30 June 2011 (Unaudited)	10,143	1,919,242	44,822	-	243,855	50,817	70,609	-	154,345	1,519,212	4,013,045	169,404	4,182,449

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Net cash generated from/(used in) operating activities</b>		<b>772,080</b>	(442,196)
<b>Investing activities</b>			
Interest received		13,390	14,793
Settlement of consideration payable on acquisition of a subsidiary		–	(10,831)
Purchase of property, plant and equipment	13	(2,908)	(952)
Proceeds on disposal of property, plant and equipment		23,519	–
Proceeds on disposal of investment properties		11,264	–
Proceeds on disposal of a subsidiary	18	213,340	–
Advancement of loans receivable, net		–	(61)
Increase in restricted cash and deposits		(549,312)	(161,174)
<b>Net cash used in investing activities</b>		<b>(290,707)</b>	(158,225)
<b>Financing activities</b>			
Increase in amounts due to minority shareholders		369,119	–
New bank and other borrowings		1,579,725	229,252
Repayment of bank and other borrowings		(719,095)	(114,694)
Dividends paid		(101,433)	–
Distribution in specie		–	(522,127)
Interest paid		(133,728)	(38,478)
Proceeds from deemed disposal of interests in a subsidiary	19	–	8,024
Proceeds from issue of new shares	17(iii) to (vi)	–	694,031
Share issue expenses	17(iii) to (vi)	(63)	(9,188)
Contributions from non-controlling interests of a new subsidiary		46,329	–
<b>Net cash generated from financing activities</b>		<b>1,040,854</b>	246,820
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,522,227</b>	(353,601)
<b>Cash and cash equivalents at beginning of period</b>		<b>1,890,555</b>	853,072
<b>Effect of foreign exchange rate change</b>		<b>39,005</b>	2,637
<b>Cash and cash equivalents at end of period</b>		<b>3,451,787</b>	502,108



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the “Company”) is a limited company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and principal place of business of the Company is situated at Suite 3012, 30th Floor, One Pacific Place, 88 Queensway, Hong Kong. The principal activities of the Company and its subsidiaries (collectively, the “Group”) mainly comprise property investment and development, property leasing and investment holding. The Group’s business activities are principally carried out in Beijing, Guangzhou, Guilin, Hefei, Hohhot-Inner Mongolia, Jilin, Yinchuan and other regions in the PRC.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2011 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 2 August 2011.

### **Group reorganization and discontinued operations (for the corresponding period in 2010 only)**

During the six months ended 30 June 2010, the Company completed capital reorganization and distribution in specie which constituted discontinued operations. As at the date of distribution on 10 February 2010, the net assets value of the distributed businesses as a distribution in specie were HK\$1,964,986,000. Details were disclosed in the annual financial statements for the year ended 31 December 2010.

## 2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention except for investment properties which are stated at fair values.

The accounting policies used in preparing the Interim Financial Statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2010 with the addition of certain standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") issued and became effective in the current interim period as described below.

Due to the group reorganization, as described in note 1, the distributed businesses, in form of distribution in specie, constituted discontinued operations under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, results of the distributed businesses arising from the period from 1 January 2010 to 10 February 2010 were included in the Group during the corresponding period in 2010 as discontinued operations.

## 3. ADOPTION OF NEW AND REVISED HKFRSs

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2011.

#### ***HKAS 24 (Revised) Related Party Disclosures***

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

### 3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

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

##### ***Amendment to HKAS 34 Interim Financial Reporting***

It requires the update of relevant information related to significant events and transactions in the most recent annual financial report. HKAS 34 now specifies events and transactions for which disclosures are required, and guidance has been added covering the application of the requirements for financial instruments.

Improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 *Interim Financial Reporting* as disclosed above, all those amendments have no significant financial impact on the Group.

#### (b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2011 and have not been early adopted:

##### ***Amendments to HKFRS 7 Disclosure – Transfer of Financial Assets***

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

##### ***HKFRS 9 Financial Instruments***

The standard addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortized cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognized in profit or loss except for those on certain equity investments which will be presented in other comprehensive income.

### 3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

**(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2011 and have not been early adopted: (continued)**

***Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets***

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment will be applied retrospectively.

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

### 4. REVENUE

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

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of properties	1,981,034	969,947	–	–	1,981,034	969,947
Sales of goods	–	–	–	149,339	–	149,339
Property rental income	47,980	31,320	–	6,912	47,980	38,232
Property management fee income	25,158	24,300	–	–	25,158	24,300
Taxi licence fee income	–	–	–	8,155	–	8,155
Total revenue	2,054,172	1,025,567	–	164,406	2,054,172	1,189,973

## 5. SEGMENT INFORMATION

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

### Continuing operations

- |                                     |   |
|-------------------------------------|---|
| Property investment and development | – This segment constructs commercial and residential properties in the PRC for external customers.  |
| Property leasing                    | – This segment leases commercial units located in the PRC to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a jointly controlled entity. |
| Other segment                       | – This segment provides management services to certain housing estate in the PRC and generates management fee income.   |

### Discontinued operations (for the six months ended 30 June 2010 only)

- |                                 |   |
|---------------------------------|---|
| Electrical household appliances | – This segment manufactures electrical appliances including electric fans, vacuum cleaners, lighting products, fuser and laser scanner. The Group's manufacturing facilities are located primarily in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries. |
| Property leasing                | – This segment leases industrial properties and commercial units located in Hong Kong, the PRC and the United States to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through associates.   |

## 5. SEGMENT INFORMATION (continued)

### Discontinued operations (for the six months ended 30 June 2010 only) (continued)

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

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

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



## 5. SEGMENT INFORMATION (continued)

Certain comparative figures in the segment information for the six months ended 30 June 2010 has been reclassified. Previously, property management was reported under the segment of "Property leasing". For the six months ended 30 June 2011, property management was reclassified and reported as a separate segment as a result of the change in information reported internally for the purposes of resources allocation and assessment of business performance. Comparative figures have been reclassified accordingly.

### Segment results and segment assets

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

	Continuing operations				Discontinued operations						Sub-total HK\$'000	Consolidated HK\$'000	
	Property investment and development HK\$'000	Property leasing HK\$'000	Other segment HK\$'000	Sub-total HK\$'000	Electrical household appliances HK\$'000	Property leasing HK\$'000	Securities trading HK\$'000	Car rental HK\$'000	All other segments HK\$'000				
<b>Six months ended 30 June 2011 (Unaudited)</b>													
Reportable segment revenue*	1,981,034	47,980	25,158	<b>2,054,172</b>	-	-	-	-	-	-	-	<b>2,054,172</b>	
Reportable segment profit	1,168,424	190,218	991	<b>1,359,633</b>	-	-	-	-	-	-	-	<b>1,359,633</b>	
Corporate income				<b>227</b>								-	<b>227</b>
Corporate expenses				<b>(11,418)</b>								-	<b>(11,418)</b>
Profit before income tax				<b>1,348,442</b>								-	<b>1,348,442</b>
													<b>Total HK\$'000</b>
<b>As at 30 June 2011 (Unaudited)</b>													
Reportable segment assets	12,608,122	1,848,575	62,450	<b>14,519,147</b>	-	-	-	-	-	-	-	-	<b>14,519,147</b>
Corporate assets													<b>210,703</b>
Total assets													<b>14,729,850</b>

## 5. SEGMENT INFORMATION (continued)

### Segment results and segment assets (continued)

	Continuing operations				Discontinued operations						Sub-total	Consolidated	
	Property investment and development	Property leasing	Other segment	Sub-total	Electrical household appliances	Property leasing	Securities trading	Car rental	All other segments	Sub-total			
													HK\$'000
Six months ended 30 June 2010 (Unaudited)													
Reportable segment revenue*	969,947	31,320	24,300	1,025,567	146,482	6,912	-	8,155	2,857	164,406	1,189,973		
Reportable segment profit/ (loss)	141,604	8,975	(2,727)	147,852	11,826	13,364	(1,612)	3,301	(306)	26,573	174,425		
Corporate income				-						16,255	16,255		
Corporate expenses				(11,350)						(10,825)	(22,175)		
Elimination ^				-						(3,870)	(3,870)		
Profit before income tax				136,502						28,133	164,635		
													<b>Total</b>
													HK\$'000
As at 31 December 2010 (Audited)													
Reportable segment assets	9,099,619	1,499,114	55,144	10,653,877	-	-	-	-	-	-	10,653,877		
Corporate assets													281,850
Total assets													10,935,727

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

^ Inter-company interest elimination.

During the six months ended 30 June 2011, the Group reclassified certain inventories of properties with carrying value of HK\$95,715,000 (six months ended 30 June 2010: Nil) as investment properties and recognized a fair value gain of HK\$157,657,000 (six months ended 30 June 2010: Nil) on the date of reclassification. The fair value gain is reported under the segment of "Property leasing".

## 6. OTHER INCOME

	Continuing operations		Discontinued operations		Elimination		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest income on:								
Bank deposits	11,812	2,525	-	855	-	-	11,812	3,380
Inter-company loans	-	-	-	4,029	-	(4,029)	-	-
Others, including loans receivable	-	-	-	11,413	-	-	-	11,413
Amounts due from a jointly controlled entity	1,578	-	-	-	-	-	1,578	-
Total interest income on financial assets not at fair value through profit or loss	13,390	2,525	-	16,297	-	(4,029)	13,390	14,793
Other rental income	-	-	-	119	-	-	-	119
Handling fee income	-	-	-	1,273	-	-	-	1,273
Sundry income	703	649	-	100	-	-	703	749
	14,093	3,174	-	17,789	-	(4,029)	14,093	16,934

## 7. FINANCE COSTS

	Continuing operations		Discontinued operations		Elimination		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charges on:								
Bank loans and overdrafts	67,440	37,225	-	1,253	-	-	67,440	38,478
Other loans	14,422	-	-	-	-	-	14,422	-
Imputed interest expenses on consideration payable for acquisition of non-controlling interests	51,866	-	-	-	-	-	51,866	-
Inter-company loans	-	4,029	-	-	-	(4,029)	-	-
Total interest expense on financial liabilities not at fair value through profit or loss	133,728	41,254	-	1,253	-	(4,029)	133,728	38,478
Less: Amount capitalized in properties under development	(120,846)	(31,927)	-	-	-	3,870	(120,846)	(28,057)
	12,882	9,327	-	1,253	-	(159)	12,882	10,421

## 8. PROFIT BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):						
Amortization:						
Prepaid lease rental on land	37	73	–	50	37	123
Other intangible assets #	2,306	2,208	–	–	2,306	2,208
Depreciation of property, plant and equipment	2,343	2,149	–	2,423	2,343	4,572
Total amortization and depreciation	4,686	4,430	–	2,473	4,686	6,903
Allowance for other inventories (Reversal of impairment)/	–	–	–	1,408	–	1,408
Impairment losses on financial assets:						
– Loans and receivables*	(12,814)	–	–	417	(12,814)	417
Reversal of impairment loss on non-financial assets:						
– Other assets*	(9,515)	–	–	–	(9,515)	–
Net foreign exchange loss/(gain)**	1,301	(295)	–	(1,838)	1,301	(2,133)
Equity-settled share-based payments	–	73,300	–	–	–	73,300

# included in "Cost of sales and services provided" in the condensed consolidated income statement

\* included in "Reversal of impairment on assets" in the condensed consolidated income statement (six months ended 30 June 2010: included in "Other operating expenses" in the condensed consolidated income statement)

\*\* included in "Administrative expenses" in the condensed consolidated income statement (six months ended 30 June 2010: included in "Other gains – Others" in the condensed consolidated income statement)

## 9. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income tax expense comprise:						
Current tax for the period						
Hong Kong profits tax	-	-	-	1,167	-	1,167
Other regions of the PRC						
- Enterprise income tax ("EIT")	237,609	58,299	-	3,564	237,609	61,863
- Land appreciation tax ("LAT")	277,150	48,596	-	-	277,150	48,596
Others	-	-	-	140	-	140
	514,759	106,895	-	4,871	514,759	111,766
Under provision in prior year						
Other regions of the PRC - EIT	1,612	99	-	-	1,612	99
Deferred tax	31,541	(25,524)	-	5,336	31,541	(20,188)
	547,912	81,470	-	10,207	547,912	91,677

For the six months ended 30 June 2011, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profits in Hong Kong for the period. For the six months ended 30 June 2010, Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for that period.

EIT arising from other regions of the PRC is calculated at 10% to 25% of the estimated assessable profits (six months ended 30 June 2010: 10% to 25%).

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2010: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

## 10. DISCONTINUED OPERATIONS

As mentioned in note 1, for the six months ended 30 June 2010, the Company completed the distribution in specie. The results of the distributed businesses were set out below:

	Notes	From 1 January 2010 to 10 February 2010 (Audited) HK\$'000
Revenue	4	164,406
Cost of sales and services provided		(130,105)
Gross profit		34,301
Other income	6	17,789
Distribution and selling expenses		(3,255)
Administrative expenses		(21,415)
Other operating expenses		(1,642)
Other gains/(losses)		
Fair value gain on investment properties		3,780
Fair value loss on investments held for trading		(1,497)
Others		1,556
Operating profit		29,617
Finance costs	7	(1,253)
Share of results of associates		3,312
Share of results of jointly controlled entities		327
Elimination <sup>^</sup>		(3,870)
Profit before income tax	8	28,133
Income tax expense	9	(10,207)
		17,926

<sup>^</sup> Inter-company interest elimination

## 10. DISCONTINUED OPERATIONS (continued)

As at the date of distribution on 10 February 2010, the net assets of the distributed businesses as a distribution in specie were approximately HK\$1,964,986,000.

Analysis of the net cash flows from the distributed businesses were as follows:

	From 1 January 2010 to 10 February 2010 (Audited) HK\$'000
Operating activities	(49,819)
Investing activities	13,136
Financing activities	4,250
Effect of foreign exchange rate change	1,010
Net cash outflow	(31,423)

## 11. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Distribution in specie (note (i))	–	1,964,986

Notes:

- (i) Details of the distribution in specie are set out in note 10.
- (ii) The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).
- (iii) During the period, a dividend of HK\$0.10 (six months ended 30 June 2010: Nil) per share, amounting to HK\$101,433,000 was paid to shareholders as the final dividend for 2010.



## 12. EARNINGS PER SHARE

The calculations of basic earnings per share and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company are based on the following data:

### Earnings

	From continuing operations (Unaudited) HK\$'000	From discontinued operations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>For the six months ended 30 June 2011</b>			
Earnings used in calculating basic earnings per share	803,707	–	803,707
Adjustment to the profit of the Group based on effect of dilutive potential ordinary shares	4,550	–	4,550
Earnings used in calculating diluted earnings per share	808,257	–	808,257
<b>For the six months ended 30 June 2010</b>			
Earnings used in calculating basic earnings per share	34,541	18,055	52,596
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share	(1,856)	–	(1,856)
Earnings used in calculating diluted earnings per share	32,685	18,055	50,740

## 12. EARNINGS PER SHARE (continued)

### Weighted average number of ordinary shares

	Six months ended 30 June	
	2011 (Unaudited) '000	2010 (Unaudited) '000
Weighted average number of ordinary shares used in calculating basic earnings per share	920,639	662,682
Effect of dilutive potential ordinary shares	93,690	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,014,329	662,682

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group incurred capital expenditure of approximately HK\$886,000 (six months ended 30 June 2010: HK\$264,000) in motor vehicles, approximately HK\$2,022,000 (six months ended 30 June 2010: HK\$657,000) in furniture, fixtures and office equipment and no capital expenditure (six months ended 30 June 2010: HK\$31,000) in plant and machinery.

## 14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Trade receivables	<b>74,453</b>	52,812
Less: Impairment of trade receivables	<b>(8,621)</b>	(8,427)
Trade receivables, net	<b>65,832</b>	44,385
Other receivables	<b>36,035</b>	32,366
Prepayments and deposits	<b>1,975,567</b>	1,606,528
	<b>2,077,434</b>	1,683,279

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
30 days or below	<b>43,381</b>	43,820
31-60 days	<b>16,847</b>	489
61-90 days	–	–
91-180 days	<b>4,045</b>	47
181-360 days	<b>1,559</b>	–
Over 360 days	–	29
	<b>65,832</b>	44,385

## 14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. Other than these, the Group generally allows a credit period of not exceeding 60 days to customers.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.

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

In determining the recoverability of trade receivables, the Group also considers any change in the credit quality of the trade receivables 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.

## 15. TRADE AND OTHER PAYABLES

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Trade payables	<b>1,152,301</b>	1,348,298
Other payables and accruals	<b>234,446</b>	195,944
Deposit received	<b>19,185</b>	28,884
	<b>1,405,932</b>	1,573,126

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
30 days or below	<b>263,559</b>	877,031
31-60 days	<b>82,610</b>	117,461
61-90 days	<b>3,802</b>	7,676
91-180 days	<b>140,715</b>	112,806
181-360 days	<b>462,552</b>	72,293
Over 360 days	<b>199,063</b>	161,031
	<b>1,152,301</b>	1,348,298

## 16. BORROWINGS

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>Current liabilities</b>		
Bank borrowings	<b>360,750</b>	937,810
Other loan	<b>420,875</b>	–
	<b>781,625</b>	937,810
<b>Non-current liabilities</b>		
Bank borrowings	<b>2,378,714</b>	898,370
Other loan	–	411,320
	<b>2,378,714</b>	1,309,690
	<b>3,160,339</b>	2,247,500

## 16. BORROWINGS (continued)

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Analysis into:		
Bank borrowings (note (i))		
Secured (note 20)	<b>420,875</b>	444,226
Unsecured	<b>2,318,589</b>	1,391,954
	<b>2,739,464</b>	1,836,180
Other loan (note (ii))		
Unsecured	<b>420,875</b>	411,320
	<b>3,160,339</b>	2,247,500

The movement of bank borrowings and other loan is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	<b>2,247,500</b>	2,244,220
Translation adjustment	<b>52,209</b>	52,800
New bank loans raised	<b>1,579,725</b>	1,230,700
Repayment of bank loans	<b>(719,095)</b>	(546,723)
Distribution in specie	–	(733,497)
Carrying amount at the end of the period/year	<b>3,160,339</b>	2,247,500

## 16. BORROWINGS (continued)

Notes:

- (i) Bank borrowings

The maturity profile of bank borrowings is as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Term loans		
Due within one year	<b>360,750</b>	937,810
Due after one year but not exceeding two years	<b>970,189</b>	476,473
Due after two years but not exceeding five years	<b>1,216,125</b>	421,897
Due after five years	<b>192,400</b>	–
	<b>2,739,464</b>	1,836,180
Less: Amounts due within one year included in current liabilities	<b>(360,750)</b>	(937,810)
Amounts due after one year included in non-current liabilities	<b>2,378,714</b>	898,370

The bank borrowings as at 30 June 2011 were arranged at floating rates of 2.24% – 6.40% per annum (31 December 2010: 5.18%-7.04% per annum).

- (ii) Other loan

Other loan as at 30 June 2011 (31 December 2010: HK\$411,320,000) represents a loan obtained from a financial institution in the PRC, which was arranged at the floating rate of 5.40% per annum (31 December 2010: 5.85% per annum) and repayable in 2011. Other loan is classified as current liabilities in the condensed consolidated statement of financial position and is wholly due for repayment within one year.



## 16. BORROWINGS (continued)

Notes: (continued)

- (iii) The carrying amounts of the bank borrowings and other loan are denominated in the following currencies:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Hong Kong Dollar	<b>750,000</b>	–
Renminbi (“RMB”)	<b>2,410,339</b>	2,247,500
	<b>3,160,339</b>	2,247,500

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

## 17. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Nominal value HK\$'000
<b>Authorized</b>			
Balance at 1 January 2010 (Audited)	0.5	900,000	450,000
Capital reduction (note (i))		–	(441,000)
Increase in shares (note (ii))	0.01	44,100,000	441,000
Balance at 30 June 2010 (Unaudited), 31 December 2010 (Audited) and 30 June 2011 (Unaudited)	<b>0.01</b>	<b>45,000,000</b>	<b>450,000</b>
<b>Issued and fully paid</b>			
Balance at 1 January 2010 (Audited)	0.5	523,485	261,742
Capital reduction (note (i))		–	(256,507)
Subscription (note (iii))	0.01	157,045	1,570
Placing of new shares (note (iv))	0.01	41,000	410
Issue of new shares (note (v))	0.01	46,013	460
Balance at 30 June 2010 (Unaudited), 31 December 2010 (Audited) and 1 January 2011 (Audited)	<b>0.01</b>	<b>767,543</b>	<b>7,675</b>
Issue of new shares (note (vi))	<b>0.01</b>	<b>246,786</b>	<b>2,468</b>
Balance at 30 June 2011 (Unaudited)	<b>0.01</b>	<b>1,014,329</b>	<b>10,143</b>

## 17. SHARE CAPITAL (continued)

Notes:

- (i) Following the approval of the capital reduction by the court on 1 February 2010, the authorized share capital of the Company was reduced by an amount of HK\$441,000,000 from 900,000,000 shares of HK\$0.5 each, totaling HK\$450,000,000, to 900,000,000 shares of HK\$0.01 each, totaling HK\$9,000,000, on 9 February 2010. On the same date, the issued share capital of the Company was reduced by an amount of HK\$256,507,000 from 523,485,000 shares of HK\$0.5 each, totaling HK\$261,742,000, to 523,485,000 shares of HK\$0.01 each, totaling HK\$5,235,000.
- (ii) Upon the capital reduction becoming effective, the authorized share capital of the Company is increased from HK\$9,000,000 divided into 900,000,000 shares of HK\$0.01 each to HK\$450,000,000 divided into 45,000,000,000 shares of HK\$0.01 each by the creation of an additional 44,100,000,000 new shares of HK\$0.01 each ranking *pari passu* in all respects to all the issued and unissued reduced shares.
- (iii) Following the completion of the subscription on 10 February 2010, the Company issued 157,045,368 new shares at HK\$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of China Overseas Land & Investment Limited ("COLI"). The subscription resulted in the increase in share capital and share premium account of the Company by HK\$1,570,000 and HK\$453,861,000 respectively. The related share issue expenses amount to HK\$6,615,000.
- (iv) On 19 May 2010, the placing agent of the Company has placed 41,000,000 new ordinary shares at HK\$5.00 each to not less than six placees who and whose ultimate beneficial owners are independent third parties and not connected persons of the Company. The net proceeds from the placing were approximately HK\$202,485,000. The related share issue expenses amount to HK\$2,515,000.
- (v) As approved by the shareholders of the Company in an extraordinary general meeting on 26 May 2010, the Company issued 46,013,333 new shares on 3 June 2010 to settle the options previously granted to certain management. As a result of this, the share capital and share premium account of the Company has increased by HK\$460,000 and HK\$33,378,000 respectively. Details of the transactions are set out in the Company's circular dated 10 May 2010. The net proceeds from the transactions were approximately HK\$33,542,000. The related share issue expenses amount to HK\$58,000.
- (vi) Pursuant to the acquisition agreement dated 2 November 2010, in relation to the acquisition of 30% equity interest in Pan China Land (Holdings) Corporation, which was an indirect non-wholly owned subsidiary of the Company, the Company issued 189,493,000 and 57,293,000 new ordinary shares on 22 February 2011 and 5 May 2011 respectively to settle the consideration shares. Details of the transactions are set out in the Company's circular dated 26 November 2010. The related share issue expenses amount to HK\$63,000.

The share capital of the Company at the end of reporting period comprises only of fully paid ordinary shares with a par value of HK\$10,143,000 (as at 31 December 2010: HK\$7,675,000). All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

## 18. DISPOSAL OF A SUBSIDIARY

As disclosed in the 2009 annual report, the Group entered into a co-operation termination agreement and a settlement agreement in respect of the property development project conducted by 青島頤景房地產開發有限公司 (“青島頤景”), a 70% subsidiary of the Group. Pursuant to the settlement agreement, a minority shareholder of 青島頤景 agreed to repay the outstanding shareholder’s loan and pay certain amount of penalty and fund appropriation fees of approximately RMB197 million in aggregate to the Group. Upon the full repayment of the outstanding shareholder’s loan, the Group will transfer its 70% registered capital of 青島頤景 to the minority shareholder at RMB7 million. The investment in the project was fully written off in 2009. During the six months ended 30 June 2011, the Group received totally HK\$213,340,000 (equivalent to approximately RMB179,367,000) in accordance with the settlement agreement and completed the disposal of the 70% interests in 青島頤景. Overall, the gain on the disposal of the subsidiary amounted to approximately HK\$213,340,000 and the disposal gain net of tax was approximately HK\$196,136,000.

	<b>Six months ended 30 June 2011 (Unaudited) HK\$'000</b>
Loan repayment, penalty and fund appropriation fees received	<b>205,014</b>
Consideration for 70% registered capital	<b>8,326</b>
Total	<b>213,340</b>
Net assets disposed of:	
Other receivables	<b>5,947</b>
Other payables	<b>(5,947)</b>
	–
Gain on disposal of a subsidiary	<b>213,340</b>

## 18. DISPOSAL OF A SUBSIDIARY (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	<b>Six months ended 30 June 2011 (Unaudited) HK\$'000</b>
Cash received	<b>213,340</b>
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents	<b>213,340</b>

During the period, the disposed subsidiary had insignificant contribution to the Group's revenue, profit, operating, investing and financing cash flows.

## 19. SHARE-BASED PAYMENTS

### Subsidiaries

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

During the six months ended 30 June 2010, the Company agreed to transfer 10% registered capital (the “Capital”) of Beijing Huashiboli, an indirect non-wholly owned PRC subsidiary of the Company, at the consideration of RMB6 million to certain ex-management personnel of the Group. The transfer of the Capital is accounted for as a share-based payment. Details of these arrangements were set out in the announcement of the Company dated 24 February 2010.

The fair value of the transfer of the Capital on the grant date, after taking into account an independent professional valuation and the consideration of RMB6 million, was RMB50 million (equivalent to approximately HK\$56.9 million). Thus, the amount of share-based payment recognized as staff cost in profit or loss for the six months ended 30 June 2010 amounted to RMB50 million (equivalent to approximately HK\$56.9 million) with the corresponding amount being recognized in the share-based payment reserve of subsidiaries and non-controlling interests. No liabilities were recognized for this equity-settled share-based payment transaction. During the six months ended 30 June 2010, the transfer was completed and deemed as a disposal of interests in a subsidiary. The net proceeds were HK\$8 million.

## 20. PLEDGE OF ASSETS

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Land and buildings classified under, property, plant and equipment	<b>29,187</b>	29,271
Investment properties	<b>1,553,029</b>	1,268,041
Inventories of properties	<b>29,900</b>	161,800
Trade receivables	<b>4,279</b>	4,155
	<b>1,616,395</b>	1,463,267

## 21. COMMITMENTS

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Contracted for but not provided for in the financial statements:		
– Property development	<b>1,845,335</b>	2,599,020
Authorized but not contracted for:		
– Investment in equity interest	–	108,780
– Acquisition of land	<b>4,882,511</b>	4,771,664

## 22. GUARANTEES

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Guarantees given to: Bank for mortgage loans granted to purchasers of certain subsidiaries' properties	<b>2,604,429</b>	1,925,062

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

## 23. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed financial statements, the Group had the following significant transactions with related parties during the period:

	<b>Six months ended 30 June 2011 (Unaudited) HK\$'000</b>	2010 (Unaudited) HK\$'000
<b><u>Nature of transactions</u></b>		
<b>COLI (note (i)) and its subsidiaries</b>		
Royalty expenses	<b>20,542</b>	–
<b>CSECECL (note (ii)) and its subsidiaries</b>		
Property construction costs	<b>40,948</b>	–
<b>Key management (including directors)</b>		
Remuneration	<b>3,105</b>	7,303

Notes:

- (i) COLI is a controlling shareholder of the Company during the period.
- (ii) China State Construction Engineering Corporation Limited ("CSECECL") is an intermediate holding company of COLI.



## OTHERS

### Interim Dividends and Proposed Bonus Issue

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil). However, in recognition of the continual support of the shareholders of the Company, the Board proposes a bonus issue of 1 bonus share for every 2 existing shares held. The Board believes that the bonus issue will enhance the liquidity of the shares of the Company in the market and thereby enlarging the shareholder and capital base. Full details of such bonus issue are set out in a separate announcement of the Company dated 2 August 2011 which is published on the websites of the Company and the Stock Exchange.

### Share Capital

The Company's total issued share capital as at 30 June 2011 was 1,014,328,842 ordinary shares of HK\$0.01 each.

### Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in securities of the Company by the Directors. Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

## **Information on Share Option Scheme of the Company**

At the annual general meeting of the Company held on 11 May 2005, the Company's shareholders approved the adoption of a share option scheme (the "Share Option Scheme") and the purposes of the Share Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to high level of performance.

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be effective for a period of 10 years from 11 May 2005 (the "Scheme Period") and after which no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

The Board may, at its absolute discretion, offer any eligible person options to subscribe for shares in the Company. Upon acceptance of the offer of an option, the grantee shall pay HK\$1.00 to the Company as a consideration for option granted. No options were granted since 11 May 2005.

## Information on Share Option Scheme of the Company

*(continued)*

The maximum number of shares that can be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at 11 May 2005 unless the Company obtains a further approval from its shareholders in general meeting for refreshing such 10% limit.

The exercise price per share under the Share Option Scheme shall be determined by the Board but shall be not less than the greatest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the offer date; and
- (c) the nominal value of the shares.

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the shares or reduction of the capital of the Company whilst any option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per share for the outstanding options.

## Directors' and Chief Executives' Interests in Securities

As at 30 June 2011, the Directors and the Chief Executives of the Company 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 pursuant to the Model Code:

## Directors' and Chief Executives' Interests in Securities

(continued)

### Long Positions in shares of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Mr. Hao Jian Min	Beneficial owner	Personal	2,200,000	2,200,000	0.22%
Mr. Yung Kwok Kee, Billy	Beneficial owner Beneficiary of a trust (Note 2) Interest of controlled corporation (Note 3)	Personal Other Interest in controlled corporation	7,933,333 169,319,084 7,215,667	184,468,084	18.19%
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	297,000	297,000	0.03%

## **Directors' and Chief Executives' Interests in Securities**

*(continued)*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 30 June 2011, 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.

Notes:

- (1) The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2011 (i.e. 1,014,328,842 shares).
- (2) These shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his spouse.
- (3) These shares are held by Extra-Fund Investment Limited, a corporation interested by Mr. Yung Kwok Kee, Billy. Extra-Fund Investment Limited, a wholly owned subsidiary of Shell Electric Holdings Limited, was the beneficial owner of such 7,215,667 shares, Shell Electric Holdings Limited was in turn held (i) 7.13% by Mr. Yung Kwok Kee, Billy beneficially; (ii) 1.91% by Mr. Yung Kwok Kee, Billy and his spouse; (iii) 74.14% by Red Dynasty Investments Ltd. Red Dynasty Investments Ltd. is 100% held by Mr. Yung Kwok Kee, Billy and his spouse. Mr. Yung Kwok Kee, Billy was taken to be interested in such 7,215,667 shares by virtue of the SFO.

## Substantial Shareholders' Interests in Securities

As at 30 June 2011, the following persons (other than Directors or the Chief Executive of the Company) were interested 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 substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 2)	Beneficial	99,675,364	99,675,364	9.83%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 2)	Beneficial	69,643,720	69,643,720	6.87%
UBS Trustees (BVI) Limited ("UBS Trustees")	Trustees of trusts (Note 2)	Other	169,319,084	169,319,084	16.69%
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation (Note 3)	Interest in controlled corporation	384,548,244	384,548,244	37.91%
Kentrise Company Inc	Beneficial owner	Beneficial	100,392,790	100,392,790	9.90%
Mr. Cheng Yang	Interest of controlled corporation (Note 4)	Interest in controlled corporation	100,392,790	100,392,790	9.90%
Mr. Wang Tao Guang	Beneficial Owner	Beneficial	100,372,789	100,372,789	9.90%

## **Substantial Shareholders' Interests in Securities** *(continued)*

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the Chief Executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2011.

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2011 (i.e. 1,014,328,842 shares).
2. 169,319,084 shares held by UBS Trustees (comprises 99,675,364 shares and 69,643,720 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his spouse as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.
3. CSCEC is interested in 384,548,244 shares which comprises of 370,458,244 shares held by Star Amuse Limited ("Star Amuse") and 14,090,000 shares held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of China Overseas Land & Investment Limited ("COLI") which in turn is a non-wholly owned subsidiary of China Overseas Holdings Limited ("COHL"). COHL is a subsidiary of CSCECL which in turn is a non-wholly owned subsidiary of CSCEC.
4. Kentrise Company Inc. is beneficially wholly owned by Mr. Cheng Yang.

## **Corporate Governance**

The Company has complied with all the provisions (except Code Provision A.4.1 as stated below) of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011, and also most of the Recommended Best Practices.

### **Code Provision A.4.1**

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



## Changes in Directors' Information

Changes in directors' information since the date of the 2010 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Mr. Chen Bin	<ul style="list-style-type: none"><li>Re-designated from Executive Director and Vice President to Non-executive Director of COLI effective from 10 August 2011</li></ul>
Mr. Xiang Hong	<ul style="list-style-type: none"><li>Resigned as Chief Financial Officer of the Company effective from 11 July 2011 but continues to serve as Executive Director of the Company</li><li>Re-designated as Vice President of the Company effective from 11 July 2011</li><li>Resigned as Deputy Financial Controller of COLI in July 2011</li></ul>

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

During the period ended 30 June 2011, the Company has issued

- 94,746,612 ordinary shares to Mr. Wang Tao Guang and 94,746,612 ordinary shares to Kentrise Company Inc. for HK\$5.02132 per share on 22 February 2011 pursuant to the Acquisition Agreement dated 2 November 2010; and
- 28,646,177 ordinary shares to Mr. Wang Tao Guang and 28,646,178 ordinary shares to Kentrise Company Inc. for HK\$5.02132 per share on 5 May 2011 pursuant to the Acquisition Agreement dated 2 November 2010.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2011.

## **Review of Interim Report by Audit Committee**

The Audit Committee of the Board of Directors has reviewed the Company's unaudited interim results for the six months ended 30 June 2011, and discussed with the Company's management regarding auditing, internal control and other important matters.



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

Stock Code 股份代號:00081



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