中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.
Stock Code 股份代號: 00688

Interim Report 2011
二零一一年中期報告

A Trusted Brand Growing Through Diligence and Care
精耕細作 品牌經營

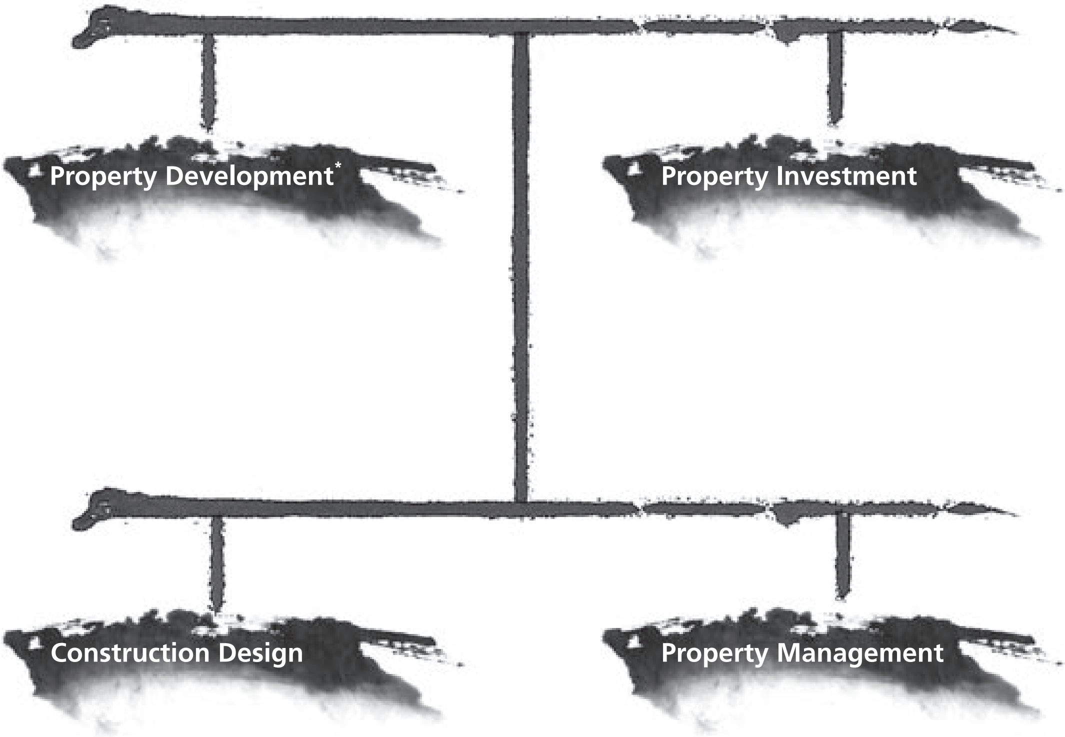
目錄

Contents

Corporate Structure

The Group carry out the following businesses in the Mainland, Hong Kong and Macau:

China Overseas Land & Investment Limited



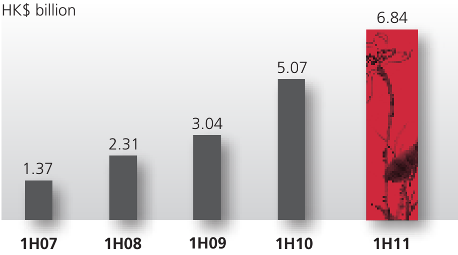
* *Property development in 29 major cities in mainland China, (Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hangzhou, Zhuhai, Tianjin, Dalian, Shenyang, Qingdao, Jinan, Changsha, Nanchang, Yantai, Hohhot#, Guilin#, Yinchuqn#, Nanning#, Hefei#, Jilin#), as well as in Hong Kong and Macau.*

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

Financial Highlights

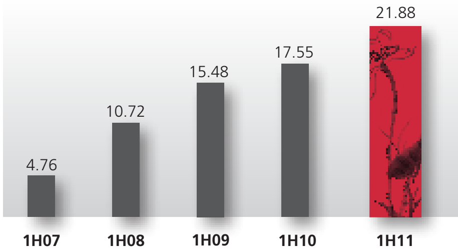
Growth in Profits Attributable to Equity Shareholders of the Company

HK$ billion



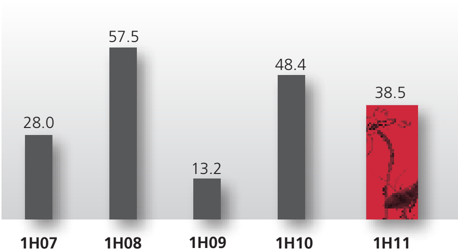
Growth in Turnover

HK$ billion



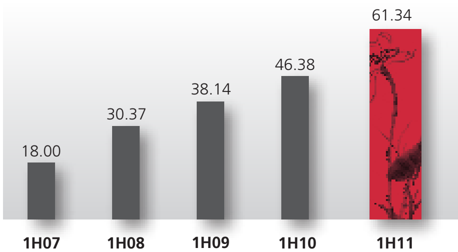
Change in Net Gearing

%



Growth in Shareholders' Fund

HK$ billion



Board of Directors, Honourable Chairman and Committees

Chairman

Kong Qingping

Honourable Chairman

Sun Wen Jie#

Executive Directors

(see notes below)

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

Non-Executive Director

(see notes below)

Wu Jianbin	*Vice Chairman*

Independent Non-Executive Directors

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

Authorised Representatives

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

Notes:

As announced on 9 August 2011, Mr. Chen Bin will be re-designated from an Executive Director to a Non-Executive Director of the Company with effect from 10 August 2011.

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.
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:
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Telephone : (852) 2823 7978
Facsimile : (852) 2529 9211
E-mail : haisong@cohl.com

Financial Calendar for 2011

Interim results announcement	:	9 August 2011
Share register closed	:	22 September 2011 to 23 September 2011 *(both days inclusive)*
Interim dividend payable	:	3 October 2011

Chairman's Statement

Business Review

The world economy has become more complicated in the first half of 2011. Major advanced economies continued to implement the various stimulus measures. However, property market and unemployment problems in the United States still unresolved and economic recovery was slow. With the threat of the Euro zone sovereignty debt crisis mounting, political instability in the Middle East and North Africa and earthquake in Japan further risk weakening the world economy. Under such volatile economic environment outside, China succeeded in maintaining satisfactory economic growth amid various challenges.

Excess liquidity that flooded into the market under the easing measures led to intensified investment activity, asset bubbles and inflationary pressure, especially in emerging markets. Economic growth rate in China was 9.6% while inflation rate rose to a high level of 6.4% in June. Confronted with the threat of an overheating economy and in order to control inflation, the Central government tightened the liquidity further with more macro measures. The deposit reserve ratio was increased to 21.5% and the lending base rate for commercial banks was still on the rise. Hence, liquidity in the market was extreme tight.

Under more and stricter tightening measures by the Central government, the property market in China remained stable. According to statistics by the government, there was still some increase in the transaction volume. All in all, tightening measures are seen to have effects. The rise in property prices in many mainland cities has obviously slowed down and speculation and investment are curbed. Economic development in Hong Kong and Macau was satisfactory. The property market performance was good especially in the luxury sector which the Group is focused on.

During the period, the Group as usual reacted calmly to market changes and continued to take steps to enhance actively its overall management capability. Backing on its well established trusted brand name and applying creative marketing skills, the Group provided the customers with a choice of highly differentiated and desirable products and succeeded in achieving outstanding sales performance. The property sales amount of the Group was a record high of HK$52.23 billion for the first half of the year, an increase of 85.9%; the corresponding sold area was 3.07 million sq m, an increase of 38.2%. Sales of properties in mainland China alone amounted to HK$50.11 billion, an increase of 78.5%; the corresponding sold area was 3.06 million sq m, an increase of 37.5%. Sales of properties in Hong Kong and Macau increased substantially to HK$2.12 billion.

Business Review *(Continued)*

The business performance of the Group for the first half of year 2011 was excellent. The profit attributable to equity shareholders of the Company increased sharply by 35.0% to a record high of HK$6.84 billion (equivalent to RMB5.75 billion).

The total turnover of the Group was HK$21.88 billion, representing an increase of 24.7% as compared to the corresponding period last year. The turnover of the Group's property development business in mainland China was HK$21.09 billion, accounting for 96.4% of the total turnover and representing an increase of 24.4%.

The operating profit of the Group was HK$10.94 billion, an increase of 37.1% as compared to the corresponding period of last year. The operating profit of the property development business in mainland China increased by 29.2% to HK$8.60 billion. The gross profit margin increased from 40.5% of the corresponding period last year to a higher level of 42.9%.

A total of 21 projects with gross floor area ("GFA") of 1.42 million sq m were completed in 16 cities in mainland China; total saleable area of these projects was 1.13 million sq m. About 80% of the saleable area had been sold by end June, corresponding to an area of 900,000 sq m and sale value of HK$14.39 billion. Furthermore, after adjusting for sales related to joint ventures and associated companies, which are not recognised as turnover for the Group, and sales not recognised as Group turnover for the first half of 2011, the level of sales pertaining to projects completed in 2011 and recognised as turnover in the first half of 2011 was HK$12.12 billion. The Group's sales of property held for sale was satisfactory with 530,000 sq m sold for HK$9.41 billion.

Mainly due to the payment of significant amount of land premium during the first half of the year, the Group's consolidated net gearing increased from 22.8% (at the end of 2010) to 38.5% at end of June 2011. Backing on the leading status of the Group in the PRC property industry and high creditworthiness, even under a tight financial market the Company succeeded to execute a 5-year club deal agreement with 11 leading banks raising HK$6.2 billion in May. As at end of June, the financial position of the Group was in a favorable condition; the equities attributable to the shareholders of the Company were increased to HK$61.34 billion; the Group had bank loans and guaranteed notes payable amounted respectively to HK$31.82 billion and HK$10.02 billion; and bank balances and cash amounted to approximately HK$18.22 billion and unutilised banking facilities amounted to approximately HK$10 billion.

During the period, the investment grade rating issued by both Standard & Poor and Moody's was maintained reflecting the recognition of the market to the Group's solid and stable financial profile and its market-leading status.

Prospect

The worsening of the Euro zone sovereignty debt crisis, the slow recovery of the US economy and also the adverse impact on the global economy and financial market caused by the downgrade of the US sovereign credit rating will cast more uncertainties on the global economic environment. In order to ensure global economy recovery, stimulus measures launched by the various major advanced countries and low interest rate will continue for a long time. The effects of the macro control measures are generally seen in China with the GDP growth in the second quarter decreased to 9.5%. It is expected that China will continue to adopt active fiscal policy and prudent monetary policy in the second half of the year. There will not be any major change in the macro-economic policies. The rate of economic growth will continue to slow down, inflation pressure will be eased and liquidity will remain tight.

Excellent performance of the Group under such tough market environment confirms that the strategy of developing high quality residential projects in the core areas of major mainland cities is correct. As an operationally and financially sound property developer with a strong brand name, the Group can cope effectively with the austerity measures which have become an ordinary feature of the China property market. The Group is confident about the medium and long term development of the mainland China property market since the Group firmly believes that urbanization and industrialization will generate massive genuine housing demand. In the short term it is expected that the tightening measures will continue to be reinforced, thus leading to consolidation of the market at a faster manner. As such, the Group will not be over-optimistic and will follow closely the changes in the trend of the macro economy and the regulatory environment and will address such changes effectively and in a timely manner.

Backing on its team of quality professionals, shrewd market judgment, nationwide strategic development, Excellent Quality (精品) brand recognition, abundant financial resources coming from smooth funding channels in both domestic and overseas financial markets, corporate governance of international standard, and effective risk control policies and measures, the Group is fully confident that it will maintain its status as a sizable and strong nationwide real estate developer of international influence. Notwithstanding that the market could be more complicated in the remaining part of this year, the Group still maintains its target of selling not less than 6.3 million sq m and completing not less than 7.0 million sq m GFA for year 2011.

Prospect *(Continued)*

In the first half of the year, the Group acquired 12 land parcels in 11 mainland cities while China Overseas Grand Oceans Group Limited ("COGO") acquired 4 land parcels in 4 mainland cities, adding total GFA of about 7.76 million sq m to its land reserve. The Group also acquired 2 land parcels in Hong Kong. As at end June, the total land bank of the Group was 36.20 million sq m (attributable interest of about 31.84 million sq m) while COGO had land bank of about 5.93 million sq m (attributable interest of about 4.77 million sq m). Under strict tightening measures, the property market in China has gradually rationalised. The land parcels acquired by the Group in the first half of the year were at satisfactory prices. The Group will seize opportunities to expand its land bank at low cost and according to the sales result and financial resources on hand.

The Group strives to expedite its development through joint venture cooperation and mergers & acquisitions. The property fund set up in last March by the Group runs smoothly. The establishment and management of property fund is an effective way to consolidate the resources of the Group. It also provides a new channel for fund raising and support the development of the Group's property business as well as to improve and enhance the financial flexibility and structure of the Group. Taking into account the financial position of the Group, the progress of phase II of the property fund is slower than its original plan. At end of June 2011, the Group's investment interest in joint ventures and associated companies plus amounts due from and deduct amounts due to joint ventures and associated companies amounted to HK$24 billion. Contribution from these investments will be gradually seen. Since February, COGO has become an associated company of the Group. As the single largest shareholder of COGO, the Group will continue to manage the company. The financial performance of COGO was good and contributed profit of about HK$130 million to the Group. The Group is confident that COGO will develop rapidly and will effectively complement the business of China Overseas Property ("中海地產").

The Group continues to adhere strictly to the principle of a prudent financial management policy. The Company is a Hong Kong blue chip company in the China real estate sector and has wide range of choices in Hong Kong and China as to the most appropriate and beneficial financing arrangement and hence has adequate financial resources to support its rapid business development. The net gearing ratio was increased to 38.5% at end of June. With lots of new project launching to the market for sale in the second half of the year, the net gearing level of the Group will be effectively controlled.

Prospect *(Continued)*

The prospect of the Group's property development business in China is bright and promising while that of Hong Kong and Macau is good. The Board is very confident of the future of the Group. The Group will persistently enhance its competitive advantages through improvement in its management capability, operation mode, product structure, product quality and branding. The competitive edges of the Group will lead to ample opportunities and excellent performance and the Group is confident that it can maintain its pioneer and leading position in the China property industry.

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

Appreciation

I would like to thank the Board and the Group's employees for their support and hard work during the period.

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

Hong Kong, 9 August 2011

Management Discussion & Analysis

Overall Performance

During the six months ended 30 June 2011, the turnover of the Group was HK$21.88 billion (the corresponding period in 2010: HK$17.55 billion), representing an increase of 24.7% as compared to the corresponding period last year. The operation profit was HK$10.94 billion (the corresponding period in 2010: HK$7.98 billion), representing an increase of 37.1% as compared to the corresponding period last year. Profit attributable to equity shareholders of the Company amounted to HK$6.84 billion (the corresponding period in 2010: HK$5.07 billion), representing an increase of 35.0%. Basic earnings per share was HK83.7 cents (the corresponding period in 2010: HK62.0 cents), an increase of 35.0%, while diluted earnings per share was HK83.7 cents (the corresponding period in 2010: HK62.0 cents).

As at 30 June 2011, the equity attributable to equity shareholders of the Company was HK$61.34 billion (31 December 2010: HK$54.73 billion), an increase of 12.1% as compared to the end of the previous year, while the book value of net asset per share was HK$7.51 (31 December 2010: HK$6.70), an increase of 12.1% as compared to the end of the previous year.

Income

The operating income from property development business was HK$21.10 billion, representing an increase of 24.2%. The operation income from the mainland China property development business increased by 24.4% to HK$21.09 billion, making up 96.4% of the Group's turnover.

Rental income of properties was HK$174 million, representing an increase of 3.4% as compared to the corresponding period last year.

Income from other operations amounted to about HK$611 million, representing an increase of 53.4% as compared to the corresponding period last year.

Profit from Operations

The operating profit was HK$10.94 billion, representing an increase of 37.1% as compared to the corresponding period last year. The operating profit from PRC property development business amounted to HK$8.60 billion, representing an increase of 29.2%. The gross profit margin of PRC property development increased from 40.5% of the corresponding period last year to a higher level of 42.9%.

Profit from Operations *(Continued)*

Investment properties continued to provide a stable source of income to the Group, contributing an operating profit of about HK$155 million. There was an increase in the fair value of the investment properties amounting to HK$1,527 million (net income after deferred tax was HK$980 million). However, there was no revaluation surplus on investment properties during the corresponding period in year 2010. Instead, last year the Group had recorded net profits of about HK$1.20 billion from the 2 transactions related to the sale of certain interests in 3 projects to a real estate fund and to the acquisition of the control of COGO.

Unallocated Administrative Expenses

The unallocated administrative expenses of the Group for the first half of 2011 was HK$51 million, representing a decrease of 42.4% as compared to the corresponding period last year.

Property Development

Confronted with such volatile economic environment outside, China still succeeded in maintaining satisfactory economic growth. Under more and stricter tightening measures in the first half of the year, the property market in China remained stable. The rise in property prices has slowed down and speculation and investment in property were curbed. This is beneficial to the healthy growth of the property sector in the PRC. Economic development in Hong Kong and Macau was satisfactory. The property market performance was good especially in the luxury sector which the Group is focused on. The Group has at the same time continued to enhance its management and control capability as well as its core competitive advantages. The Group is generally regarded as one of the few property developers that are operationally and financially sound and have a strong brand name. The Group in fact is the industry leader. In the past few years, the Group adhered to its strategic plan, adjusted it business structure and devoted its resources to its property development business especially in mainland China. It is expected that austerity measures on property market will continue to be launched in the future. But the Group is still confident to achieve healthy and sustainable business development.

During the period, the Group succeeded in achieving satisfactory sales performance even under such tough market condition. The property sales amount of the Group was a record high of HK$52.23 billion for the first half of the year, an increase 85.9%. The corresponding sold area was 3.07 million sq m, an increase of 38.2%. Sales of properties in mainland China amounted to HK$50.11 billion, an increase of 78.5%, while the corresponding sold area was 3.06 million sq m, an increase of 37.5%.

Property Development *(Continued)*

The half-yearly sales result for the Hua Bei and Hua Dong region for the first time exceeded HK$10 billion. The Northern Region recorded the smallest sales of HK$7.3 billion yet its sold area was the largest of all regions totaling 776,000 sq m (mainly from Shenyang). Sales in Hong Kong and Macau increased substantially to HK$2.12 billion.

The Group achieved good result in the first half of the year. That was mainly attributable to the improved contribution of the PRC property development business which made up 96.4% of the turnover and 78.6% of the operating profits while the gross profit margin stayed at a relatively high level of 42.9%.

The Group strives to expedite its development through joint venture cooperation and mergers & acquisitions. At the end of June 2011, the Group's investment interest in joint ventures and associated companies plus amounts due from and deduct amounts due to joint ventures and associated companies amounted to HK$24 billion. There were altogether 16 joint-ventures, 3 of which were cooperated with the property fund set up by the Group. There was one cooperated with China State Construction Engineering Corporation Limited, the Company's intermediate holding company, in the Shanghai Chang Feng project. Most of the projects undertaken by joint-ventures are relatively big in size or with relative big proportion of investment property element. Partners to the joint-ventures are operationally and/or financially strong parties like the Kowloon Wharf Group, the Shimao Group, the China Resources Group or some property funds. It is expected that contribution from joint-venture cooperation will gradually increase. In the first half of the year, sales from joint ventures reached HK$7.4 billion. After deducting imputed interest of about HK$150 million, the Group still recorded a net profit of about HK$270 million. Furthermore, COGO is the major associated company of the Group. COGO reported good performance in the first half of the year with a net profit of about HK$800 million. After adjusting for the profit booked by the Group when the control of COGO was acquired last year, the Group still had a net profit of about HK$130 million. COGO will develop rapidly and will effectively complement the business of China Overseas Property ("中海地產").

A total of 21 projects were completed in 16 cities in mainland China with GFA of 1.42 million sq m. The saleable areas of these completed projects were 1.13 million sq m, about 80% of which or an area of 900,000 sq m has been sold by end June for HK$14.39 billion.

Property Development *(Continued)*

The major projects completed for occupation were:

City	Name of Project	Saleable area ('000 sq m)	Area sold ('000 sq m)	Sales Amount (HK$ million)
Foshan	Gold Coast East II	134	52	780
Foshan	Gold Coast Middle II	75	75	890
Foshan	Starcrest East I	140	117	1,680
Shanghai	Coastal Palace II	72	38	940
Ningbo	The Manor Park II	65	61	1,330
Nanjing	The Phoenix I	45	43	1,230
Suzhou	Dushu Island Villa I	44	42	1,050
Beijing	COLI City	77	75	1,470
Jinan	Royal Dynasty II	73	72	660
Dalian	The Prime Manor	69	68	870
Total		**794**	**643**	**10,900**

The Group's sales of properties held for sale were satisfactory with 530,000 sq m sold for HK$9.41 billion. At the end of June, properties held for sale were only 1 million sq m, a drop of 28.5% as compared to the end of last year.

To ensure sustainable rapid growth, the Group continued to expand sources in getting high quality land reserve through various means and ways. In the first half of the year, the Group acquired 12 land parcels in 11 mainland China cities, adding GFA of about 6.78 million sq m to its land reserve. Taking into account the 985,000 sq m of land reserve related to the 4 land parcels acquired by COGO in 4 cities, land with GFA of 7.76 million sq m in mainland China was acquired in the first half of the year. The Group also acquired 2 land parcels in Hong Kong. As at the end of June, the total land bank of the Group was 36.20 million sq m (attributable interest of 31.84 million sq m). The Group will take into account the market change, sales result and financial resources on hand to seize opportunities to expand its land bank at low cost.

Property Development *(Continued)*

The land parcels added in the first half of year 2011 were:

City	Name of Project	Attributable Interest	Site Area ('000 sq m)	GFA ('000 sq m)
Changsha	Dahexixiandao District Yanghuyuan Project	100%	360	1,378
Changchun	Gaoxin District Project	100%	190	581
Changchun	Nanguan District Project	100%	145	238
Zhongshan	Shiqi District North	100%	73	242
Yantai	Gaoxin District Shimao Road Project	100%	81	293
Qingdao	Licang District Henan Nanzhuang Project	100%	372	1,552
Dalian	Gaoxinyuan District Qixianling Project	100%	82	295
Nanchang	Chaoyang New City Project	100%	176	457
Hohhot	Xiao Tai Project*	100%	73	214
Jilin	Fengman District Project*	100%	37	189
Hefei	Shushan District Project*	100%	145	399
Hongkong	Kowloon Fei Ngo Shan Road Project	100%	3	1
Hongkong	Kowloon Tong Begonia Road Project	100%	3	3
Chengdu	Gaoxin District Renhe Project	100%	119	576
Shenzhen	Longgang District Nanling Project	100%	49	242
Nanning	Donggouling Project*	100%	46	183
Suzhou	Jinchang District Project	100%	160	488
Nanjing	Pukou District Project	100%	197	436
Total			**2,311**	**7,767**

* *Land acquired by COGO*

Property Development *(Continued)*

China's GDP growth in the second quarter was decreased to 9.5%. It is expected that the rate of economic growth will continue to slow down in the second half of the year. Hence, there will not be any major change in the macroeconomic policies during the remaining part of the year though some fine tune is possible. It is also likely that the transaction volume of property sales will come down further in the second half of the year as liquidity tightened further. The Group is optimistic about the medium and long term development of the mainland China property market but it will not be over-optimistic and will follow closely the change in the trend of the macro economy and the regulatory environment and will address such changes effectively and in a timely manner.

Notwithstanding that the market could be complicated in the remaining part of this year the Group still maintains its target of selling not less than 6.3 million sq m and completing not less than 7 million sq m GFA for year 2011.

Since there are quite a substantial amount of pre-sales not yet booked, barring any unforeseen circumstances, the Group is confident about the result performance for the whole year.

Liquidity, Financial Resources and Debt Structure

The Group continued to adopt prudent financial policies. Finance, fund utilization and fundraising activities are subject to effective centralised management and supervision. The Group maintains reasonable gearing level and adequate cash balances.

During the period, HK$6.2 billion was raised in Hong Kong by way of a club deal and Renminbi 3 billion was also raised in mainland China. Mainly due to the land premium payments in the first half of the year, the net gearing ratio of the Group as at 30 June 2011 increased to 38.5%, as compared with 22.8% as at the end of the previous year (calculated by total borrowings less bank balances and cash divided by shareholders' equity). Interest cover (measured by the ratio of operating profit less interest income to the total interest expenses) increased to 16.3 times (the corresponding period of 2010: 16.2 times). Mainly due to the issue of a 10-year US$1 billion bond at the rate of 5.5% and the general increase in the cost of Renminbi borrowings in China, the total finance costs increased by approximately 35.0% as compared to the corresponding period of the previous year and to HK$690 million. The finance cost of the Group was slightly increased to 3.3% (total finance cost divided by average borrowings), which could be the lowest in the industry.

Liquidity, Financial Resources and Debt Structure *(Continued)*

As at 30 June 2011, consolidated bank borrowings and guaranteed notes of the Group amounted to HK$31.82 billion (31 December 2010: HK$34.52 billion) and HK$10.02 billion (31 December 2010: HK$10.02 billion) respectively, of which 52.3% was denominated in Hong Kong dollars, 24.0% was denominated in U.S. dollars and 23.7% was denominated in Renminbi.

As at 30 June 2011, the Group had bank balances and cash amounting to approximately HK$18.22 billion (of which 10.3% was denominated in Hong Kong dollars, 5.4% was denominated in U.S. dollars, 84.3% was denominated in Renminbi and minimal amounts were denominated in other currencies) and unutilised banking facilities amounting to approximately HK$10 billion. All bank borrowings of the Group were interest-bearing at floating rates.

The Group has not invested in any other derivatives either for hedging or speculative purposes. Taking into account of the potential increase in interest rates and the possible fluctuations in the exchange rate of Renminbi, the Group will prudently consider entering into currency and interest rate swap arrangements to minimise such exposures if and when appropriate.

Awards

During the period, the Company and its subsidiaries won numerous prizes and awards for their outstanding performance in quality, design, management and corporate citizenship. In June, amongst all PRC developers listed in Hong Kong, the Company was acknowledged by the China Real Estate Top 10 Research Team as number one in terms of consolidated strength, wealth creation and investment value.

Corporate Citizenship

The Group has always been actively performing its corporate social responsibilities through participating in public charity and community activities since its establishment. As the Group grows bigger its sense of responsibility also grows.

While committed to maintain smooth corporate operation and to ensure sustainable development of the Company, the Group also actively participates in supporting and subsidising education. In addition to devote itself to fulfilling its commitment to donate and build one Hope School in China every year, the Group continue to show its care on the development of the China Overseas Hope Schools by providing financial resources and opportunities to the students to widen their exposure and to settle down in the community.

Corporate Citizenship *(Continued)*

In June, the Company was awarded by Finance Asia as the best among Asian companies in terms of Corporate Citizenship and Dividend Policy. This fully displays the extensive recognition of the active corporate citizenship obligation fulfillment of the Company by the community. As a leading property developer in China, great emphasis is placed on environmental protection, low emission and energy conservation in every project developed by the Group.

Human Resources

As at 30 June 2011, the Group had 14,858 employees. By business segment, 2,382, 11,991 and 485 employees were employed in the property business, property management and other operations respectively. By geographical location, 1,604 employees were based in Hong Kong and Macau and 13,254 employees were based in Mainland China.

The Group firmly believes that human resources are the most valuable assets of the Company and has formulated a human resources management system promoting personal development, good working atmosphere and effective motivation and rewards for all the staff. The Group encourages and fully supports its employees to pursue in ongoing self enhancement and life-long learning, and good learning environment is provided for the staff through establishing network training platforms and holding training seminars for senior managerial staff. The"Sons of the Sea (海之子)" and "Sea's Recruits (海納)" schemes will continue to recruit a large number of quality talented staff for the sustainable and stable development of the Company.

Condensed Consolidated Income Statement

The unaudited 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 HK$'000 *(Unaudited)*	2010 HK$'000 *(Unaudited)*
Turnover	3	**21,882,852**	17,550,310
Cost of sales		**(12,037,908)**	(10,098,941)
Direct operating expenses		**(486,370)**	(300,651)
		9,358,574	7,150,718
Other income and gains		**859,972**	334,065
Gain arising from changes in fair value of investment properties		**1,527,390**	–
Gain on bargain purchase	13	**–**	905,718
Gain on disposal of subsidiaries	14	**45,628**	296,966
Selling and distribution costs		**(226,042)**	(193,908)
Administrative expenses		**(628,389)**	(514,196)
Operating profit		**10,937,133**	7,979,363
Share of profits (losses) of			
Associates		**82,799**	(4,156)
Jointly controlled entities		**270,358**	24,239
Finance costs	4	**(258,447)**	(187,300)
Profit before tax		**11,031,843**	7,812,146
Income tax expenses	5	**(4,163,550)**	(2,570,858)
Profit for the period	6	**6,868,293**	5,241,288
Attributable to:			
Owners of the Company		**6,839,381**	5,065,746
Non-controlling interests		**28,912**	175,542
		6,868,293	5,241,288
		HK cents	HK cents
EARNINGS PER SHARE			
Basic	8	**83.7**	62.0
Diluted		**83.7**	62.0

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2011	**2010**
	HK$'000	**HK$'000**
	(Unaudited)	***(Unaudited)***
Profit for the period	**6,868,293**	5,241,288
Other comprehensive income		
Exchange differences arising on translation	**828,443**	331,667
Share of exchange difference of associates	**31,439**	–
Share of exchange difference of jointly controlled entities	**300,961**	72,850
Change in fair value of investments in syndicated property project companies	**–**	970
Other comprehensive income for the period, net of tax	**1,160,843**	405,487
Total comprehensive income for the period	**8,029,136**	5,646,775
Total comprehensive income attributable to:		
Owners of the Company	**7,990,936**	5,467,725
Non-controlling interests	**38,200**	179,050
	8,029,136	5,646,775

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2011 HK$'000 *(Unaudited)*	31 December 2010 HK$'000 *(Audited)*
Non-current Assets			
Investment properties	9	**14,671,426**	14,053,675
Property, plant and equipment		**330,186**	319,388
Prepaid lease payments for land		**33,198**	35,984
Interests in associates		**3,145,796**	210,497
Interests in jointly controlled entities		**11,608,708**	11,323,863
Investments in syndicated property project companies		**22,867**	22,867
Amounts due from associates		**93,399**	42,156
Amounts due from jointly controlled entities		**11,553,355**	8,981,367
Amounts due from syndicated property project companies		**154**	154
Other financial assets		**25,405**	23,726
Goodwill		**109,021**	109,021
Other intangible assets		–	39,870
Deferred tax assets		**1,496,298**	1,190,537
		43,089,813	36,353,105
Current Assets			
Inventories		**5,454**	4,154
Stock of properties		**88,307,237**	84,461,975
Prepaid lease payments for land		**2,263**	2,745
Trade and other receivables	10	**2,576,854**	2,874,544
Deposits and prepayments		**1,909,578**	2,771,797
Deposits for land use rights for properties held for sale		**3,547,936**	1,916,731
Amount due from a fellow subsidiary		–	845,000
Amounts due from jointly controlled entities		**252,895**	529,926
Amounts due from non-controlling interests		**161,403**	110,386
Tax prepaid		**902,319**	354,544
Bank balances and cash		**18,195,117**	32,023,494
		115,861,056	125,895,296

Condensed Consolidated Statement of Financial Position *(Continued)*

	Notes	30 June 2011 HK$'000 *(Unaudited)*	31 December 2010 HK$'000 *(Audited)*
Current Liabilities			
Trade and other payables	11	**14,178,602**	14,103,430
Pre-sales deposits		**23,090,970**	23,274,160
Rental and other deposits		**1,026,647**	712,335
Amount due to a fellow subsidiary		**353,428**	353,428
Amounts due to associates		**263,803**	258,703
Amounts due to jointly controlled entities		**2,475,981**	1,530,187
Tax liabilities		**10,293,776**	10,952,001
Borrowings – due within one year		**10,059,077**	10,214,113
		61,742,284	61,398,357
Net Current Assets		**54,118,772**	64,496,939
		97,208,585	100,850,044
Capital and Reserves			
Share capital	12	**817,252**	817,252
Reserves		**60,519,246**	53,917,638
Equity attributable to owners of the Company		**61,336,498**	54,734,890
Non-controlling interests		**116,674**	3,207,251
Total Equity		**61,453,172**	57,942,141
Non-current Liabilities			
Borrowings – due after one year		**21,765,716**	24,305,704
Guaranteed notes payable		**10,023,086**	10,018,179
Amounts due to non-controlling interests		**815,085**	791,904
Derivative financial liability		**–**	1,187,323
Deferred tax liabilities		**3,151,526**	6,604,793
		35,755,413	42,907,903
		97,208,585	100,850,044

Condensed Consolidated Cash Flow Statement

	Notes	Six months ended 30 June 2011 HK$'000 *(Unaudited)*	2010 HK$'000 *(Unaudited)*
NET CASH USED IN OPERATING ACTIVITIES		**(9,894,920)**	(7,452,020)
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	13	**–**	(1,870,720)
Capital contributions to jointly controlled entities		**–**	(1,525,203)
Advances to jointly controlled entities		**(2,494,015)**	(1,669,701)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	14	**(2,161,555)**	1,052,453
Repayment from a fellow subsidiary		**845,000**	–
Other investing cash flows		**173,158**	96,182
NET CASH USED IN INVESTING ACTIVITIES		**(3,637,412)**	(3,916,989)
FINANCING ACTIVITIES			
Net proceeds from issue of shares		**–**	3,346
Cash dividends paid		**(1,389,328)**	(1,062,393)
New bank loans raised		**2,819,762**	14,188,858
Repayment of bank loans		**(2,551,310)**	(2,678,540)
Repayment to immediate holding company		**–**	(9,659,281)
Advances from jointly controlled entities		**910,515**	1,104,613
Other financing cash flows		**(663,083)**	(320,604)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(873,444)**	1,575,999
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(14,405,776)**	(9,793,010)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**31,573,981**	23,781,456
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**409,316**	73,527
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**17,577,521**	14,061,973
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**18,195,117**	14,423,238
Less: restricted bank balances		**(617,596)**	(361,265)
		17,577,521	14,061,973

Condensed Consolidated Statement of Changes in Equity

	Unaudited								
	Attributable to the Company								
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	PRC statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	816,902	18,791,845	18,798	3,534,659	719,711	18,211,157	42,093,072	(283,441)	41,809,631
Total comprehensive income for the period	–	–	–	401,979	–	5,065,746	5,467,725	179,050	5,646,775
2009 final dividend paid	–	–	–	–	–	(1,062,393)	(1,062,393)	–	(1,062,393)
Issue of shares upon exercise of share options	307	3,630	–	(591)	–	–	3,346	–	3,346
Release of exchange reserve upon disposal of subsidiaries	–	–	–	(186,153)	–	186,153	–	–	–
Acquisition of subsidiaries (note 13a)	–	–	–	–	–	–	–	4,244,876	4,244,876
Acquisition of additional interest in subsidiaries (note 13a)	–	–	–	–	–	49,888	49,888	(197,555)	(147,667)
Disposal of partial interests in subsidiaries (note 13a)	–	–	–	–	–	(174,815)	(174,815)	351,234	176,419
Transfer to PRC statutory reserve	–	–	–	–	21,591	(21,591)	–	–	–
At 30 June 2010	817,209	18,795,475	18,798	3,749,894	741,302	22,254,145	46,376,823	4,294,164	50,670,987
At 1 January 2011	817,252	18,796,072	18,798	5,298,580	1,120,969	28,683,219	54,734,890	3,207,251	57,942,141
Total comprehensive income for the period	–	–	–	1,151,555	–	6,839,381	7,990,936	38,200	8,029,136
2010 final dividend paid	–	–	–	–	–	(1,389,328)	(1,389,328)	–	(1,389,328)
Release of exchange reserve upon disposal of subsidiaries	–	–	–	(269,130)	–	269,130	–	–	–
Disposal of subsidiaries (note 14a)	–	–	–	–	–	–	–	(3,128,777)	(3,128,777)
Transfer to PRC statutory reserve	–	–	–	–	252,031	(252,031)	–	–	–
At 30 June 2011	**817,252**	**18,796,072**	**18,798**	**6,181,005**	**1,373,000**	**34,150,371**	**61,336,498**	**116,674**	**61,453,172**

Notes to the Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The condensed 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.

The accounting polices used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 January 2012

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 HKAS12 may have an impact on deferred tax recognised for investment properties that are measured using the fare value model.

3. Turnover and Contribution

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 management for the purpose of resource allocation and assessment of performance. The Group's operating and reportable segments and the types of revenue are as follows:

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

Segment revenue and results

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

Six months ended 30 June 2011

	Property development HK$'000	Property investment HK$'000	Other Operations HK$'000	Consolidated HK$'000
Segment revenue	**21,097,456**	**174,436**	**610,960**	**21,882,852**
Segment profit	**9,152,843**	**1,681,970**	**27,229**	**10,862,042**

Six months ended 30 June 2010

	Property development HK$'000	Property investment HK$'000	Other Operations HK$'000	Consolidated HK$'000
Segment revenue	16,983,291	168,773	398,246	17,550,310
Segment profit	6,602,972	85,071	106,572	6,794,615

3. Turnover and Contribution *(Continued)*

Reconciliation of reportable segment profit to the consolidated profit before tax

Segment profit represents the profit earned by each segment without allocation of gain on disposal of subsidiaries, gain on bargain purchase, interest income, central administration costs, directors' salaries, net exchange gain and finance costs. This is the measure reported to the management for the purposes of resource allocation and performance assessment.

	Six months ended 30 June	
	2011	**2010**
	HK$'000	**HK$'000**
Reportable segment profits	**10,862,042**	6,794,615
Unallocated items:		
Interest income	**94,010**	62,766
Gain on disposal of subsidiaries	**45,628**	296,966
Gain on bargain purchase	**–**	905,718
Corporate expenses	**(50,838)**	(88,159)
Finance costs	**(237,053)**	(165,339)
Net exchange gain	**318,054**	5,579
Consolidated profit before tax	**11,031,843**	7,812,146

4. Finance Costs

	Six months ended 30 June 2011 HK$'000	2010 HK$'000
Interest on bank loans, overdrafts, guaranteed notes and other borrowings wholly repayable within five years	**436,492**	476,330
Interest on guaranteed notes not wholly repayable within five years	**218,004**	–
Imputed interest expenses on amounts due to non-controlling interests	**21,394**	21,961
Other finance costs	**12,355**	11,641
Total finance cost	**688,245**	509,932
Less: Amount capitalised in properties under development	**(429,798)**	(322,632)
	258,447	187,300

5. Income Tax Expenses

	Six months ended 30 June 2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong Profits Tax	**3,072**	–
Macau income tax	**398**	806
PRC Enterprise Income Tax ("EIT")	**1,899,356**	1,542,266
PRC Land Appreciation Tax ("LAT")	**2,041,284**	1,255,444
	3,944,110	2,798,516
Overprovision in prior years:		
Hong Kong Profits Tax	**(26)**	–
Macau income tax	**(1,953)**	–
EIT	**(1,624)**	(2,452)
LAT	**(971)**	(4,375)
	(4,574)	(6,827)
Deferred tax:		
Current period	**224,014**	(220,831)
Total:	**4,163,550**	2,570,858

5. Income Tax Expenses *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the period.

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 24% (2010: 22%) 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% (2010: 12%) in Macau.

6. Profit For the Period

	Six months ended 30 June	
	2011	**2010**
	HK$'000	**HK$'000**
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**17,299**	17,210
Amortisation of prepaid lease payments for land	**1,132**	1,093
Cost of stock of properties recognised as expenses	**12,037,908**	10,098,941
Cost of inventories recognised as expenses	**7,622**	4,771
Interest income	**(269,613)**	(274,662)
Net exchange gain	**(318,054)**	(5,579)
Reverse of impairment loss on amount due from an associate	**(205,127)**	–

7. Dividends

On 15 June 2011, a dividend of HK17 cents (2010: final dividend of HK13 cents in respect of the financial year ended 31 December 2009) per share was paid to shareholders as the final dividend for 2010.

The directors have determined that an interim dividend of HK13 cents (2010: HK10 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 23 September 2011.

8. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$6,839,381,000 (2010: HK$5,065,746,000) and on the weighted average number of 8,172,519,000 (2010: 8,169,767,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share is based on the profit for the period attributable to owners of the Company of HK$6,838,826,000 (2010: HK$5,065,746,000) after adjusting to the profits of the Group based on dilutive earning per share of COGO of HK$555,000 (2010: nil) and on the weighted average number of 8,175,124,000 (2010: 8,174,945,000) ordinary shares in issue and issuable after adjusting for the weighted average number of dilutive potential ordinary shares in respect of share options granted of 2,605,000 (2010: 5,178,000) ordinary shares on the assumption that all share options were exercised during the period.

9. Investment Properties

(a) Movement during the period

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2011	10,670,198	3,383,477	14,053,675
Additions of land cost and construction costs	–	173,057	173,057
Transfer to property, plant and equipment	(5,200)	–	(5,200)
Disposal of subsidiaries (note 14a)	(1,309,549)	–	(1,309,549)
Gain arising from changes in fair value of investment properties	1,527,390	–	1,527,390
Exchange realignment	153,529	78,524	232,053
At 30 June 2011	**11,036,368**	**3,635,058**	**14,671,426**

(b) Valuation of properties shown above comprises

	Total HK$'000
Investment properties:	
In Hong Kong	
On long leases	538,600
On medium-term leases	2,509,560
In Macau	
On medium-term leases	149,000
In the PRC	
On medium-term leases	11,474,266
	14,671,426

9. Investment Properties *(Continued)*

(c) The fair value of the investment properties, including both land and building elements held by the Group at 30 June 2011 has been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited.

The fair value of the Group's investment properties (excluding those held by COGO) and the investment properties held by COGO at 31 December 2010 has been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited and CB Richard Ellis Limited, respectively.

Both DTZ Debenham Tie Leung Limited and CB Richard Ellis Limited are independent firms of professional values not connected with the Group, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

10. 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 receivable 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:

	30 June 2011 HK$'000	**31 December 2010 HK$'000**
Trade receivables, aged		
0-30 days	**1,254,885**	2,004,987
31-90 days	**509,267**	389,721
Over 90 days	**149,478**	162,779
	1,913,630	2,557,487
Other receivables	**663,224**	317,057
	2,576,854	2,874,544

10. Trade and Other Receivables *(Continued)*

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

The Group has 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.

11. 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:

	30 June 2011 HK$'000	**31 December 2010 HK$'000**
Trade payables, aged		
0-30 days	**4,792,001**	6,366,823
31-90 days	**991,582**	427,196
Over 90 days	**3,522,373**	3,197,265
	9,305,956	9,991,284
Other payables	**3,211,764**	2,565,108
Retentions payable	**1,660,882**	1,547,038
	14,178,602	14,103,430

Other payables mainly include receipt in advance, other taxes payable and sundry accrued charges.

Of the retention payable, an amount of approximately HK$878 million (31 December 2010: HK$784 million) is due beyond twelve months from the end of the reporting period.

12. Share Capital

	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.1 each		
Authorised	10,000,000	1,000,000
Issued and fully paid		
At 1 January 2011 and 30 June 2011	8,172,519	817,252

13. Acquisition of Subsidiaries

For the six months ended 30 June 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.

13. Acquisition of Subsidiaries *(Continued)*

For the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 during the six months ended 30 June 2010.

13. Acquisition of Subsidiaries *(Continued)*

For the six months ended 30 June 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

13. Acquisition of Subsidiaries *(Continued)*

For the six months ended 30 June 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 interest (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.

13. Acquisition of Subsidiaries *(Continued)*

For the six months ended 30 June 2010 *(Continued)*

(a) *(Continued)*

Impact of acquisition on the results of the Group

COGO contributed approximately HK$1,006,525,000 and HK$59,755,000 to the Group's revenue and profit respectively for the period between the date of acquisition and 30 June 2010.

Had the acquisition of COGO been effected at 1 January 2010, the total group revenue for the six months ended 30 June 2010 would have been HK$17,569,352,000, and the profit for the period would have been approximately HK$5,181,151,000. 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.

(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 transactions 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

13. Acquisition of Subsidiaries *(Continued)*

For the six months ended 30 June 2010 *(Continued)*

(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 transactions 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

14. Disposal of Subsidiaries

For the six months ended 30 June 2011

(a) 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.

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2011 *(Continued)*

(a) *(Continued)*

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 Condition of the Acquisition Agreement has been fulfilled on 10 February 2011. COGO issued 246,785,579 shares to Mr. Wang and Kentrise and accordingly, the Group's effective interest in COGO has been diluted from 50.1% to 37.9%, resulting in the loss of control in COGO and COGO becomes the associate of the Company.

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2011 *(Continued)*

(a) *(Continued)*

The aggregate net assets of COGO at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	40,214
Investment properties	1,309,549
Interests in jointly controlled entities	483,087
Prepaid lease payments for land	3,543
Other intangible asset	39,870
Inventories	840
Stock of properties	12,575,954
Trade and other receivables	76,752
Deposits and prepayments	1,778,527
Amounts due from jointly controlled entities	123,644
Amounts due from non-controlling interests	11,399
Tax prepaid	14,863
Restricted bank deposits	512,415
Cash and cash equivalents	2,161,555
Trade and other payables	(1,547,967)
Other deposits	(28,884)
Pre-sale deposits	(1,936,686)
Amount due to a jointly controlled entity	(234)
Tax liabilities	(1,306,294)
Borrowings	(3,162,500)
Derivative financial liability	(1,187,323)
Deferred tax liabilities	(4,025,827)
	5,936,497
Non-controlling interests	(3,128,777)
	2,807,720
The gain on disposal is calculated as follows:	
Fair value of interests in associates	2,853,348
Net assets of subsidiaries disposed of	(2,807,720)
Gain on disposal	45,628
Satisfied by:	
Interests in associates, at fair value	2,853,348
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	2,161,555

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2011 *(Continued)*

(a) *(Continued)*

During the six months ended 30 June 2011, the disposed subsidiaries had contributed to the Group's operating cash outflow of approximately HK$469,000,000 and financing cash inflow of approximately HK$915,000,000. The disposed subsidiaries had insignificant contribution to the Group's revenue and profit.

For the six months ended 30 June 2010

(b) 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.

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2010 *(Continued)*

(b) *(Continued)*

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.

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2010 *(Continued)*

(b) *(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
Trade and other receivables	44,242
Deposits and prepayments	40,189
Amount due from a shareholder	122,579
Tax prepaid	23,185
Bank balances and cash	186,599
Trade and other payables	(31,133)
Amounts due to shareholders	(3,783,038)
Pre-sale deposits	(739,368)
	2,112,163
The gain on disposal is calculated as follows:	
Cash consideration	1,234,599
Fair value of interests in jointly controlled entities	1,173,930
	2,408,529
Net assets of subsidiaries disposal of	(2,112,163)
Gain on disposal	296,366
Satisfied by:	
Cash	1,234,599
Interests in jointly controlled entities, at fair value	1,173,930
	2,408,529
Net cash inflow arising on disposal:	
Cash consideration received	1,234,599
Less: Bank balances and cash disposed of	(186,599)
	1,048,000

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2010 *(Continued)*

(b) *(Continued)*

During the six months ended 30 June 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 the profits of the disposed subsidiaries included in the Group's condensed consolidated financial statements amounted to approximately HK$242,752,000 and HK$47,011,000 respectively.

Included in gain on disposal is HK$214,445,000, which is the difference between the fair value of retained interest in the disposed subsidiaries of HK$1,173,930,000 and the carrying amount of their net asset value of HK$959,485,000.

(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.

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 ("CSC No.8"), a wholly-owned subsidiary of CSCECL, entered into a joint venture agreement, pursuant to which China Overseas Shanghai, CSCECL and CSC No.8 shall form a joint venture by the transfer of 50% equity interest in 上海海創 by China Overseas Shanghai to CSCECL and CSC No.8 at a total cash consideration of RMB5 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 CSC No.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 in accounted for as a jointly controlled entity of the Company.

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2010 *(Continued)*

(c) *(Continued)*

The net assets of 上海海創 at the date of disposal were 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 in 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 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

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.

14. Disposal of Subsidiaries *(Continued)*

For the six months ended 30 June 2010 *(Continued)*

(c) *(Continued)*

During the six months ended 30 June 2010, 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 condensed consolidated financial statements amounted to approximately HK$126,000.

15. Contingent Liabilities and Commitment

At 30 June 2011, the Group provided guarantees amounted to approximately HK$8,910 million (31 December 2010: HK$9,543 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

At 30 June 2011, the Group also provide guarantees amounted to approximately HK$1,407 million (31 December 2010: HK$1,375 million) for the loan facilities granted by the banks to a jointly controlled entity, of which HK$956 million has been utilised by the jointly controlled entity (31 December 2010: HK$740 million).

16. Pledge of Assets

	30 June 2011 HK$'000	31 December 2010 HK$'000
Leasehold land and buildings in property, plant and equipment *(Note a)*	–	29,271
Investment properties *(Note a)*	–	1,268,041
Stock of properties *(Note a)*	–	449,153
Trade receivables *(Note a)*	–	4,155
Bank deposits *(Note b)*	**25,376**	23,605
	25,376	1,774,225

Notes:

(a) The carrying amounts of the assets were pledged to secure general banking and other loan facilities granted to the Group.

(b) Bank deposits were pledged to secure the mortgage loans granted by banks to the home buyers.

17. Capital Commitments

	30 June 2011 HK$'000	31 December 2010 HK$'000
Capital expenditure in respect of investment properties:		
Contracted for but not provided in the condensed consolidated financial statements	**347,543**	463,318
Authorised but not contracted for	**12,594,409**	12,751,737
	12,941,952	13,215,055

18. Related Party Transactions

(a) Apart from the related balances as stated in the condensed consolidated statement of financial position, the Group also had the following transactions with related parties during the period:

	Six months ended 30 June	
	2011	**2010**
Nature of transactions	**HK$'000**	**HK$'000**
Fellow subsidiaries		
Property development project construction fees	**105,219**	58,676
Rental income	**5,208**	5,208
Insurance fee	**1,136**	839
Security service income	**8,789**	7,108
Associates		
Imputed interest income	**6,168**	6,168
Royalty income	**20,542**	–
Non-controlling interests		
Imputed interest expenses	**12,355**	11,641
Jointly controlled entities		
Imputed interest income	**145,190**	178,965
Interest income	**24,021**	26,763

(b) Compensation the remuneration of the Company's directors and other members of key management of the Group during the period was as follows:

	Six months ended 30 June	
	2011	**2010**
	HK$'000	**HK$'000**
Short-term benefits	**14,050**	16,108
Mandatory Provident Fund contribution	**30**	36
	14,080	16,144

Others

Interim Dividends

The Board declared the payment of an interim dividend for the six months ended 30 June 2011 of HK13 cents per share (2010: HK10 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 23 September 2011. The interim dividend will be payable on Monday, 3 October 2011.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 22 September 2011 to Friday, 23 September 2011 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates should be lodged with the Company's registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21 September 2011.

Share Capital

The Company's total issued share capital as at 30 June 2011 was 8,172,519,077 ordinary shares of HK$0.10 each.

Information on Share Options of the Company

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

(1) Movement of share options during the six months ended 30 June 2011 ("**the Period**"):

		Number of underlying shares comprised in options				
Name	Date of Grant	Outstanding at 01.01.2011	Adjustment/ Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding at 30.06.2011
Directors						
Mr. Kong Qingping	18.06.2004 (vi)	1,359,334	–	–	–	1,359,334
	Sub-Total	**1,359,334**	**–**	**–**	**–**	**1,359,334**
Aggregate of other employees*	24.10.2001 (v)	–	–	–	–	–
	18.06.2004 (vi)	1,456,429	–	–	–	1,456,429
	Sub-Total	**1,456,429**	**–**	**–**	**–**	**1,456,429**
	Grand Total	**2,815,763**	**–**	**–**	**–**	**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 30 June 2011, 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 six months ended 30 June 2011.

As at the date of this interim 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.

Information on Share Options of the Company *(Continued)*

(3) During the six months ended 30 June 2011 ("**the Period**"), no options to subscribe for Shares of the Company were exercised.

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#)*	–

* *20% can be exercised annually ("**Limit**") from 18.06.2005. Unexercised portion of the Limit (if any) can be exercised in the remaining Exercise Period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 18.06.2009 to 17.06.2014.*

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

Directors' and Chief Executive's Interests in Securities

As at 30 June 2011, 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%

Directors' and Chief Executive's Interests in Securities *(Continued)*

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

(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	3,060,400	3,288,848	6,349,248	0.177%
Mr. Hao Jian Min	1,713,780	959,247	2,673,027	0.075%
Mr. Xiao Xiao	1,879,278	959,247	2,838,525	0.079%
Mr. Wu Jianbin	4,228,150	959,247	5,187,397	0.145%
Mr. Chen Bin	2,483,835	657,770	3,141,605	0.088%
Mr. Dong Daping	1,658,447	0	1,658,447	0.046%
Mr. Luo Liang	3,531,469	0	3,531,469	0.098%
Mr. Lin Xiaofeng	737,528	0	737,528	0.021%
Dr. Li Kwok Po, David	120,200	0	120,200	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	2,200,000	2,200,000	0.217%
Mr. Wu Jianbin	360,000	360,000	0.035%

Directors' and Chief Executive's Interests in Securities *(Continued)*

Notes:

1. *On 3 February 2009, due to the open offer, the exercise price of the outstanding options granted under the Company's Share Option Scheme has been adjusted from HK$1.13 per Share to HK$1.118 per Share, and the number of Shares to be issued upon full exercise of the outstanding options has been adjusted from 10,488,000 Shares to 10,607,657 Shares. Information in relation to share options disclosed in accordance with the Listing Rules 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 30 June 2011 (i.e. 8,172,519,077 shares).*

3. *The share options were granted on 14 September 2005 and the exercise price per share option is currently HK$0.2254 (particulars of adjustments see below).*

   The exercise price per option was HK$1.03 at the time of grant on 14 September 2005. The exercise price was adjusted to HK$0.99 immediately after the completion of open offer on 10 September 2007 and further adjusted to HK$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was then adjusted to HK$0.2345 immediately after the completion of rights issue on 1 September 2009 and to HK$0.2254 immediately after the completion of rights issue on 16 May 2011.

   *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 30 June 2011 (i.e. 3,586,743,521 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 30 June 2011 (i.e. 1,014,328,842 shares).*

Directors' and Chief Executive's Interests in Securities *(Continued)*

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

Substantial Shareholders' Interests in Securities

At 30 June 2011, 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 30 June 2011 (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 30 June 2011.

Model Code for Directors' Share Dealing

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The directors have confirmed that they have complied with the requirements set out in the Securities Code during the six months ended 30 June 2011.

Corporate Governance

The Company has complied with all the provisions (except Code Provision A.4.1 and A.4.2 as stated below) of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011, and with most of the Recommended Best Practices.

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

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

The directors of the Company were appointed, for a term subject to retirement in accordance with the Articles of Association of the Company ("**Articles**"), 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.

Corporate Governance *(Continued)*

However, through the operation of the internal mechanism adopted by the Company below, the terms of appointment 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 or Managing Director), who is not required by the Articles to retire by rotation at the AGM in the third year since his last election, will be reminded to retire from office voluntarily.

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2011, the aggregate amount of financial assistance to, and (where applicable) guarantee given for the loan facilities granted to, affiliated companies of the Company, exceeds 8% under the assets ratio as defined under Rule 14.07 (1) of the Listing Rules. In compliance with the requirement of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies (with attributable interest of the Group in the affiliated companies) as at the latest applicable date (i.e. 30 June 2011) is set out below:

	Combined balance sheet HK$'000	Group's attributable interest HK$'000
Non-current assets	9,528	5,628
Current assets	50,676,829	28,101,332
Current liabilities	(4,396,524)	(2,703,226)
	46,289,833	25,403,734
Share capital	11,706,575	7,229,585
Reserves	1,996,939	1,237,248
Amounts due to shareholders	25,320,474	12,812,685
Non-current liabilities	7,265,845	4,124,216
	46,289,833	25,403,734

Changes in Directors' Information

Pursuant to Rules 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2010 Annual Report up to 9 August 2011 (the date of this Interim Report) are set out as below:

– Dr. Fan Hsu Lai Tai, Rita was appointed as an Independent Non-Executive Director, a Member of the Nomination Committee and the Chairman of the Remuneration Committee of China COSCO Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited.

– As announced on 9 August 2011, Mr. Chen Bin will not act as Vice President of the Company and be re-designated from an Executive Director to a Non-Executive Director of the Company with effect from 10 August 2011. Mr. Chen will then be entitled to a director's fee of HKD300,000 per annum (not entitled to monthly salary, allowances, benefits-in-kind and performance-related bonuses). Before re-designation, Mr. Chen entitled a fix annual remuneration of HKD2,160,000 and discretionary bonuses pegged to performance.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Report by Audit Committee

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

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