中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.
Stock code: 00688

Annual Report 2011

Exercise Caution in
Details and Implementation

Build a Strong Foundation to
Seek Greater Success

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Seek Greater Success

Contents

Board of Directors and Committees

Chairman

Kong Qingping

Executive Directors

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

Non-Executive Directors

Wu Jianbin	*Vice Chairman*
Zheng Xuexuan	
Chen Bin	*(see note below)*

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

* *Committee Chairman*

Note: Mr. Chen Bin has resigned as Non-Executive Director of the Company with effect from 16 March 2012.

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 Ltd.
Industrial and Commercial Bank of China (Asia) Ltd.

Shareholders' Information

Share Listing

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

Stock Code

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

Bond

		Note 1	*Note 2*	*Note 3*
SEHK	:	China OVS N1207 Code: 2521	China OVS N2011 Code: 4503	China OVS N1702 Code: 4533
Bloomberg	:	EF0142101	EI4567265	EJ0197768
Reuters	:	XS0220459035	XS0508012092	XS0745169044

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
Note 3: US$750,000,000 4.875 per cent. Guaranteed Notes due 2017

Investor Relations

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

Public Relations

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

Financial Calendar

Interim results announcement	:	9 August 2011
Interim dividend paid	:	3 October 2011
Final results announcement	:	15 March 2012
Share register closed for Annual general meeting	:	29 May 2012 to 30 May 2012 *(both days inclusive)*
Annual general meeting	:	30 May 2012
Share register closed for final dividend	:	5 June 2012
Final dividend payable	:	15 June 2012

Corporate Structure

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

Property Development*

Mainland China, Hong Kong and Macau

Property Management

Mainland China, Hong Kong and Macau

Planning and Construction Design

Mainland China, Hong Kong and Macau

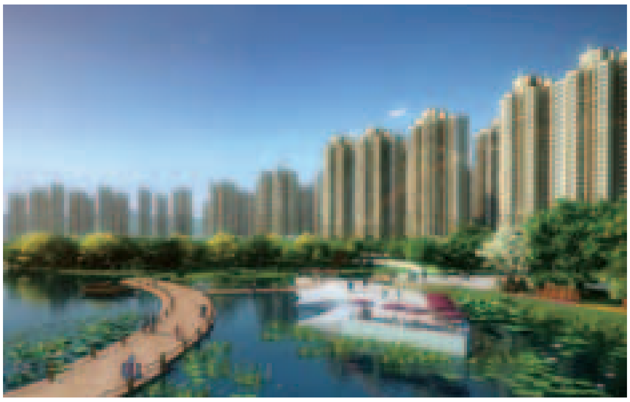
Property Investment

Mainland China, Hong Kong and Macau

* *Property development in 32 major cities in mainland China, (Beijing, Shanghai, Shenzhen, Guangzhou, Foshan, Suzhou, Hangzhou, Shenyang, Chongqing, Xi'an, Changchun, Changsha, Chengdu, Dalian, Jinan, Nanchang, Nanjing, Ningbo, Qingdao, Tianjin, Wuhan, Xiamen, Yantai, Zhongshan, Zhuhai, Guilin[#], Jilin[#], Heifei[#], Hohhot[#], Lanzhou[#], Nanning[#], Yinchuan[#]), as well as in Hong Kong and Macau.*

[#] *The cities where COGO has operations; COGO also has projects in Beijing and Guangzhou.*

Business Milestones



International Community project, Changsha

10 January

China Overseas acquired a parcel of land in Changsha with a total gross floor area ("GFA") of 1.38 million sq m. During 2011, the Group (excluding China Overseas Grand Oceans Group Limited ("COGO")) acquired 18 parcels of lands in 16 cities in China, adding 9.06 million sq m GFA to its land reserve. As at 31 December 2011, the Group had a land reserve of 34.45 million sq m GFA in 25 mainland cities, Hong Kong and Macau; COGO had a land reserve of 6.45 million sq m GFA. The strategies of geographical distribution over the whole country and the positioning of the mid-to high-end market are the key factors for the Group's success.

The Green, Fanling, Hong Kong

13 April

"The Paragon" sales campaign in Macau was launched. 80 units were sold in a week with a total revenue of HK$1.1 billion. The Group will take advantage of the synergy generated by the highly respected "China Overseas Property" brand in the high-end sector of the mainland China property market to ensure the smooth development and pre-sale of luxury projects in Hong Kong and Macau. This was evidenced by the launch for sale of The Green at Fanling, Hong Kong, in February 2012, in which 204 out of 253 units were sold within 2 weeks for HK$4.56 billion.

Residence 9, Beijing

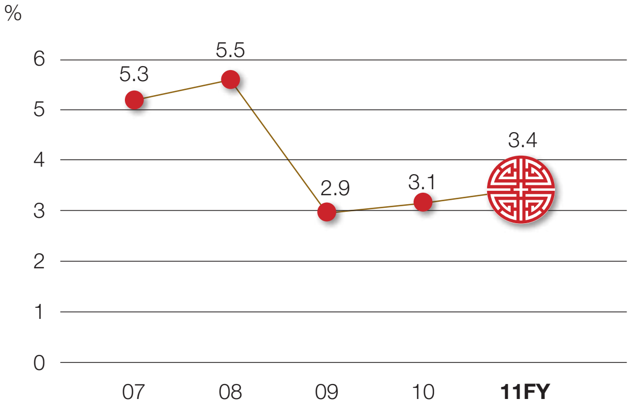
29 April

Residence 9 in Beijing with 180 units of high-end property were launched for sale, 141 units were sold on the first day of the launch for 906 million yuan. That was another new high daily sales record for the Beijing Company, which achieved the annual sales revenue of over 8.4 billion yuan in 2011.

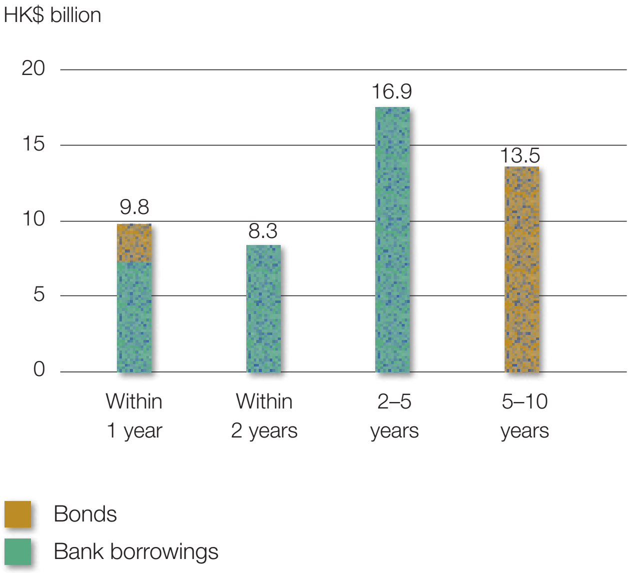
31 May

The Group signed a HK$6.2 billion five-year syndicated loan with 11 leading banks. It also issued five-year US dollar bonds with a total value of US$750 million in February 2012 at a yield of 4.917%, which further improved the debt maturity profile of the Group. This also reflected the strength of the Group's diversified and low cost financing channels. The Group's average finance cost for 2011 was only 3.4%.

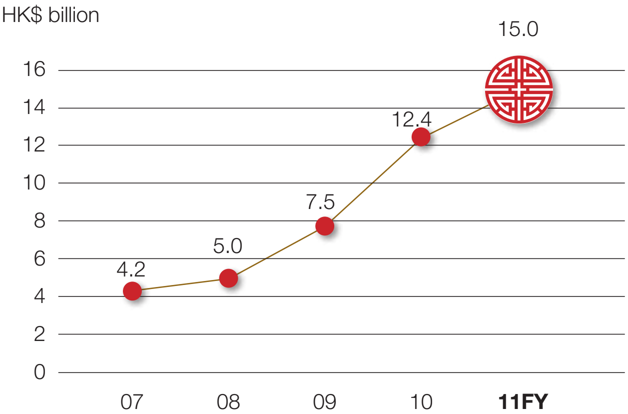
Finance cost in the past five years



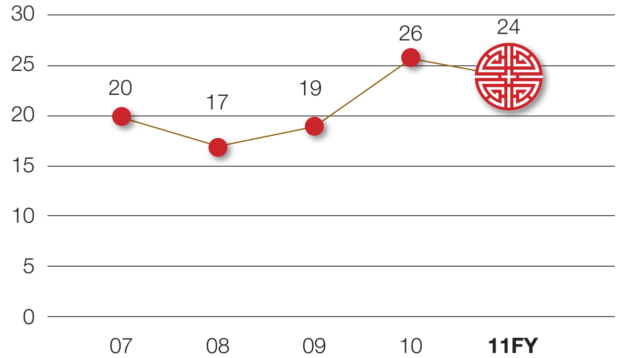
Debt maturity profile at 29 February 2012



Net profit attributable to shareholders in the past five years
HK$ billion



Average return on shareholders' equity in the past five years
%



9 June

The Annual General Meeting was held successfully. The average return on shareholders' fund was more than 21% during the past 5 years and the Company has continuously fulfilled the commitment to shareholders and investors that the annual net profit growth will not be less than 20%.

The "China Overseas Community Property Management Experience Camp"

17 August

China Overseas Property Club ("COPC") conducted an activity called the "China Overseas Community Property Management Experience Camp". This attracted 1,200 participants from 80 communities in 21 cities in China. COPC was established to facilitate two-way communications between the Group and the market. With a total of 200,000 members and association with over 400 designated alliance vendors, COPC will maintain stable growth. In 2011, the headquarter and branches of COPC organised more than 200 activities for their members.

29 August

306 graduates recruited from "Sons of the Sea" from 28 cities gathered in Shenzhen for a 10-day training course. "Sons of the Sea" and "Sea's Recruits" have been developed into respected human resource brands in the mainland property industry. This recruitment of ample human resources effectively met the Group's demand for new staff.

Snap shot of event of "Sons of the Sea"

1 September

China Overseas Shaling Hope School sponsored by the Group at Shenyang was completed and the school opening ceremony was held on 22 October. The school occupies a site area of 39,970 sq m and the teaching blocks have a GFA of 4,987 sq m. Since 2005, the Group has completed construction of 6 China Overseas Hope Schools.

School year opening ceremony of a China Overseas Hope School

5 September

The Company was selected as a constituent company of "Hang Seng Corporate Sustainability Index" and "Hang Seng (Mainland and HK) Corporate Sustainability Index" for two consecutive years and a constituent company of the new "Hang Seng Corporate Sustainability Benchmark Index". This reflects the excellent performance of the Group in environmental protection, social responsibility and corporate governance.

Hang Seng Corporate Sustainability Index Series Member 2011-2012

Kick-off ceremony of Unimalls

16 November

The global leasing campaign for the five Unimalls (環宇城) in Nanjing, Shenyang, Tianjin, Jinan and Zhuhai, with a total leasable area of 300,000 sq m was launched, demonstrating very healthy prospects for China Overseas investment properties and the Group's determination to strive to gradually increase its profit from investment properties.

COLI City, Shenyang

26 November

Three leading property development projects of Shenyang Company, China Overseas International Community, COLI City and La Cité, were launched for sale at the same time. They were widely welcomed by customers and a total of 7,400 units with a total area of 650,000 sq m were sold during the year.

Award presentation of "Hong Kong Outstanding Enterprise"

5 December

The Group was honoured with "Hong Kong Outstanding Enterprises — Blue Chip" in the 8th "Parade of Outstanding Hong Kong Enterprises 2011" organised by *Economic Digest* for three consecutive years. It was also honoured with the "Best Management Team Award" in the "2011 Golden Bauhinia Awards" organised by *Ta Kung Pao*. Moreover, for the third year in a row, it was honoured with the "Top 1,000 Chinese Enterprises in the Globe – Best Results Enterprise Award (Hong Kong)" by *Yazhou Zhoukan*. These highlight solid industry recognition of the Group's management competence.

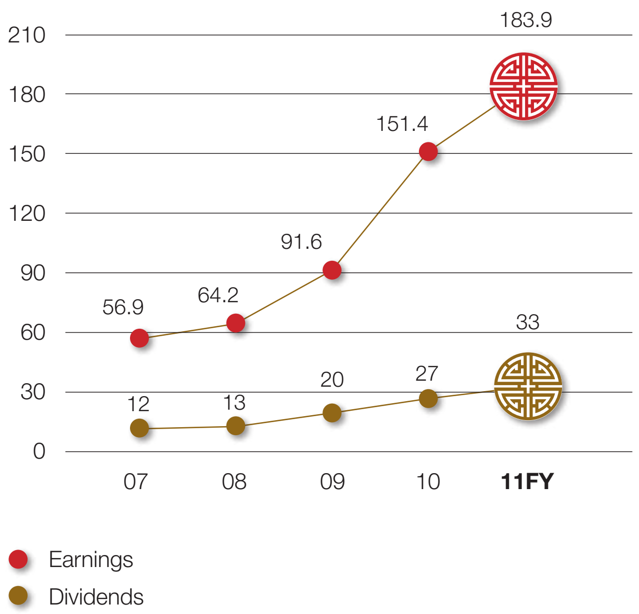
Financial Highlights

For the year ended 31 December	2011	2010	Change (%)
Financial Highlights *(HK$ billion)*			
Turnover	**48.58** [1]	40.82 [1]	+19
Profit attributable to equity holders of the Company	**15.03**	12.37	+22
Sales of properties	**87.09**	67.11	+30
Financial Ratios			
Net debt to shareholders' funds *(%)* [5]	**33**	23	+10 [2]
Interest cover *(times)*	**16**	16	— [3]
Dividend payout *(%)*	**18**	18	— [2]
Financial Information per Share *(HK$)*			
Earnings	**1.84**	1.51	+22
Dividends	**0.33**	0.27	+22
— Interim dividend	**0.13**	0.10	+30
— Final dividend	**0.20**	0.17	+18
Equity attributable to equity holders	**8.60**	6.70	+28
Land Reserves *(million sq m)*			
Development land bank [5]	**34.45** [4]	30.56 [4]	+13

Notes: [1] *After taking out turnover related to COGO for both years*
[2] *Change in percentage points*
[3] *Change in number of times*
[4] *Excluding COGO which had 6.45 million sq m land reserve at the end of 2011 and 5.29 million sq m land reserve at the end of 2010*
[5] *These are at year end figures*

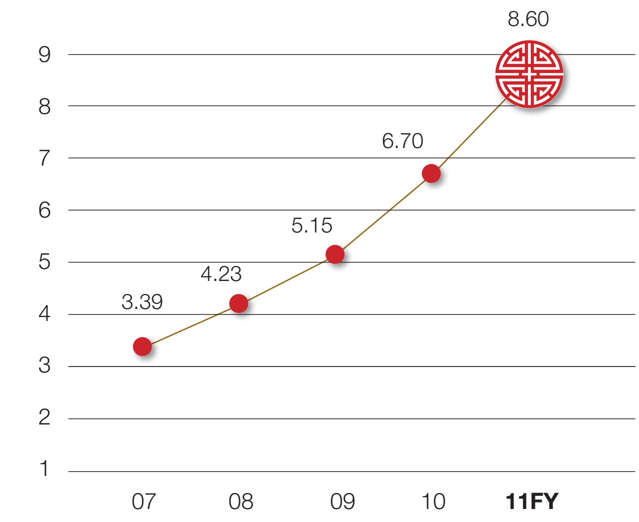
Earnings and Dividends per Share

HK cents



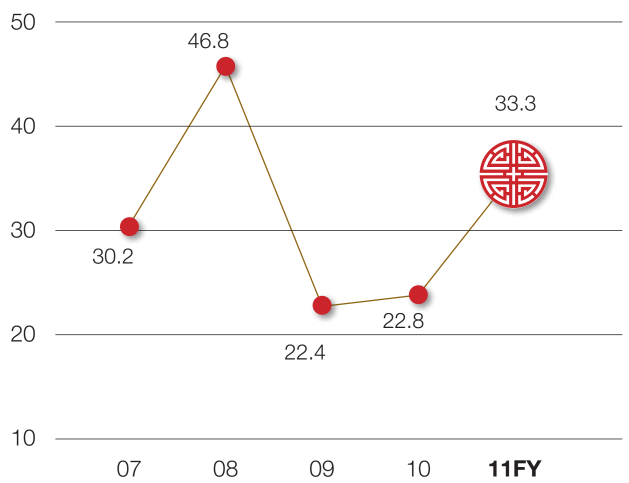
Shareholders' Fund per Share

HK$



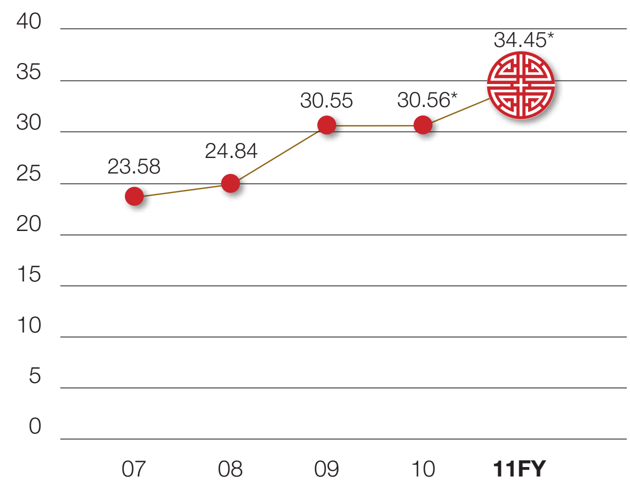
Net Debt to Shareholders' Funds

%



Growth in Total Land Reserves in the past five years

million sq m



* *Excluding COGO which had 6.45 million sq m land reserve at the end of 2011 and 5.29 million sq m land reserve at the end of 2010*

Chairman's Statement



Chairman's Statement

The Board is confident about the prospects for the Group. Strong profit growth has been sustained in the past four years despite the impact of the global financial crisis and the austerity measures. 2012 is expected to be full of uncertainty brought about by the unfavourable global political and economical environment. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." and is very confident that it can maintain its leadership position in the China property industry and achieve steady high-quality balanced growth.

Kong Qingping
Chairman

I have pleasure to report to the shareholders that:

The audited net profit attributable to shareholders for the year ended 31 December 2011 increased by 21.5% to HK$15.03 billion. Basic earnings per share were HK183.9 cents, an increase of 21.5%. Total shareholders' funds increased by 28.5% to HK$70.31 billion. Net assets per share were HK$8.6, an increase of 28.4% on 2010, and average return on shareholders' funds reached 24%. The Board recommends the payment of a final dividend of HK20 cents per share for year 2011.

1. Business Review

In 2011, global economic conditions remained complicated and fast changing. Major developed countries were confronted with various challenges. The United States government responded with a range of economic stimulus measures but economic recovery was slow. The euro-zone sovereign debt crisis deepened while the long term sovereign credit ratings of the United States and various European countries were downgraded. These issues affected the stability and liquidity of the international financial market. Political instability in the Middle East and North Africa and the earthquake in Japan increase the likelihood of further weakening in the world economy. Meanwhile, the excess liquidity that flooded the market under the quantitative easing measures led to asset bubbles and inflationary pressure in the emerging markets. Governments in emerging markets including the Chinese central government had to adjust their fiscal and monetary policies to combat such problems. Through interest hikes and a series of increases in the bank reserve requirement ratio (RRR), China effectively controlled liquidity and inflation, providing the conditions for steady and relatively fast economic growth. As a result, the GDP growth for 2011 maintained the high level of 9.2%, while the increase in the Consumer Price Index (CPI) moderated to 4.1% at year end. Benefiting especially from economic trends in China, economic development in both Hong Kong and Macau remained strong in 2011.

Notwithstanding the launch of a series of tough tightening measures towards the China property sector, the whole property market still performed well in 2010 with home prices holding at high levels. This led to the launch of even tougher measures from early 2011. Less favourable terms and restrictions on mortgages, a deepening of the restrictions on purchases as well as an extension of their coverage restricted and interrupted the property market, gradually bringing adverse effects to normal and sustainable property development. While the property market held its upward trend in the first half of the year, going into the second half of the year the market environment changed rapidly. The traditional strong selling season in September and October did not materialise and sales for the market as a whole in the fourth quarter were not satisfactory.

Amid a highly competitive market environment, the Group achieved a satisfactory growth in its sales and profit in 2011. Turnover increased by about 9.6% to HK$48.58 billion (after taking out turnover related to China Overseas Grand Oceans Group Limited (COGO) for both years, turnover increased by 19.0%), and consolidated net profit increased by 19.3% to HK$15.12 billion (equivalent to 12.55 billion yuan). The net profit attributable to shareholders increased by 21.5% to HK$15.03 billion (equivalent to 12.47 billion yuan), of which HK$2.01 billion was related to the increase in the fair value of the investment property portfolio. The Group hence recorded an increase of 37.0% in its core profit to HK$13.02 billion (equivalent to 10.81 billion yuan). The net profit attributable to shareholders has sustained a compound increase of more than 44.7% over the past five years (2007–2011). This comprises annual increases of over 20.0% in each of the past nine years (2003–2011), fulfilling the Group's commitments to its shareholders and investors.

Property Development

In 2011, the target for sales of properties set at the beginning of the year was exceeded and it was another record high. Total sales of properties (including sales by joint ventures and associated companies) amounted to HK$87.09 billion, an increase of 29.8% on the previous year; the area sold was 5.58 million sq m, representing an increase of 5.3% on 2010. Total sales for the Group and the joint ventures (that is, excluding COGO) for the year amounted to HK$78.60 billion while there was a cash inflow from sales of HK$64.71 billion. As at the end of 2011, the Group and the joint ventures (that is, excluding COGO) have together received pre-sales deposits amounting to HK$33.58 billion, an increase of 17.8% on last year.

In 2011, the Group adhered firmly to its operational watchword: A Trusted Brand Growing through Diligence and Care. As a result of accurate judgement of market changes, targeted and innovative sales and marketing measures as well as the "China Overseas Property" branding advantage, the Group changed its usual sales strategy of focusing sales in the second half of the year and succeeded in selling more than usual and at high prices as well in the first half of the year. Even though the market environment worsened going into the second half of the year, the Group achieved another sales record of HK$84.66 billion in 2011 in mainland China, an increase of 26.8% on 2010.

The Hong Kong and Macau property market started to adjust in the second half of the year, mainly due to tightening liquidity and decreased investment from the mainland. Reduced sales volume and sales prices were generally seen but the luxury sector, in which the Group operates, was relatively unaffected. Sales in 2011 amounted to HK$2.43 billion, an increase of 630%.

During the year, after making appropriate adjustments to the pace of construction works in response to the volatile market, projects in China (including by the joint ventures) with aggregate gross floor area ("GFA") of 5.22 million sq m were completed for occupation. Total saleable area of these projects was 4.36 million sq m. Net of 130,000 sq m of long-term investment properties, 69.2% of this had been sold by the end of 2011, corresponding to an area of 2.94 million sq m and sales value of HK$46.80 billion. After adjusting for sales relating to joint ventures, the value of sales recognized as the Group's turnover in 2011 was HK$33.44 billion. Furthermore, the Group's sales of properties held for sale were satisfactory with about 800,000 sq m sold for approximately HK$15 billion. At the end of 2011, the Group had about 1.45 million sq m of properties held for sale.

The turnover of the Group's property development business increased by 8.8% to HK$46.76 billion. The turnover for China amounted to HK$45.80 billion, an increase of 6.8%. Its gross profit margin held steady at the satisfactory level, while operating profit increased significantly by 13.1% to HK$18.48 billion. The turnover for Hong Kong and Macau amounted to HK$960 million. The gross profit margin was 64.0% while operating profit was HK$620 million.

Investment Properties

The China Overseas International Centre in Chengdu was completed towards the end of the year, adding 130,000 sq m of investment properties to the Group for a total of 410,000 sq m as at the end of 2011. The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK$360 million, representing an increase of 24.1% on 2010; segment results amounted to HK$3.33 billion which included an increase in the fair value of investment properties amounting to HK$3.02 billion (net income after deferred tax was HK$2.01 billion). Operating profit was HK$310 million, representing an increase of 14.8% as compared with 2010.

The global leasing campaign for the five Unimalls (寰宇城) in Nanjing, Shenyang, Tianjin, Jinan and Zhuhai, with a total leasable area of 300,000 sq m, was launched last November, demonstrating very healthy prospects for China Overseas investment properties.

Land

After taking account of the economic environment, trends in the property market, funding capabilities, the land reserve on hand and the quality and cost, 18 parcels of land were acquired by the Group (not including COGO) in 2011 in 16 cities in China, including newly entered cities Changsha, Yantai, Nanchang, Xiamen and Wuhan. These land parcels provided an aggregate gross floor area ("GFA") of 9.06 million sq m (attributable interest of 8.64 million sq m).

COGO acquired 7 land parcels in Hohhot, Nanning, Jilin, Hefei and Lanzhou and added 1.50 million sq m of land to its land reserve.

During 2011 the Group also purchased 2 parcels of land in Hong Kong with GFA of 4,907 sq m for a total consideration of about HK$880 million.

As at 31 December 2011, the Group had a total land reserve of about 34.45 million sq m (attributable interest of about 30.18 million sq m) in 25 mainland cities, Hong Kong and Macau; COGO had a total land reserve of 6.45 million sq m (attributable interest of 5.26 million sq m) in mainland cities.

Group Finance

In November 2010, the Group issued a 10-year US$1 billion bond that augmented the Group's cash holdings to an ample level of about HK$32.00 billion at the start of 2011. Group sales in 2011 were encouraging and a cash inflow from sales of about HK$51.20 billion was recorded in 2011. Coupled with the sum of HK$6.2 billion raised by way of syndication in May, the Group had sufficient financial resources to meet its operating expenditure including HK$27.88 billion for land premiums and HK$26.40 billion for construction costs.

As at end of December 2011, outstanding borrowings and guaranteed notes payable by the Group were about HK$32.60 billion (loans denominated in RMB amounted to HK$9.55 billion) and about HK$10.03 billion (US$1.3 billion) respectively; cash on hand amounted to approximately HK$19.20 billion; shareholders' funds in the Company increased from HK$54.73 billion to HK$70.31 billion; and the net gearing of the Group increased from 22.8% last year to about 33.3%, still a very healthy level under such tough market conditions.

Both Moody's and Standard & Poor's reaffirmed the Company's issuer and bond ratings at Baa2 and BBB respectively with a stable outlook. This reflected the recognition of the market to the Group's solid and stable financial profile and also its market-leading status.

Human Resources

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

The Group continues to enter new cities every year. Talent at all levels is always in great demand. The Group is confronted with challenges in building and conserving human resources. After assiduous promotion in recent years, the "Sons of the Sea" and "Sea's Recruits" schemes have developed into respected human resource brands in the mainland property industry. Staff recruited through these two schemes have steadily become an important element supporting the sustainable and stable development of the Group. In 2011, more than 300 graduates from leading universities in China were recruited through the "Sons of the Sea" scheme and more than 500 talented staff joined through the "Sea's Recruits" scheme. This recruitment of ample human resources effectively met our demand for new staff.

Corporate Governance

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

Corporate Citizenship

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

Over the years, by providing resources and facilities to the China Overseas Hope Schools, the Group has greatly enhanced the education environment and capabilities of the locality.

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

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

Awards

In 2011, the Group received numerous awards. The Company was again acknowledged as number one among "Best 20 of China Real Estate Enterprises Brand Value" and its brand value increased to 24.69 billion yuan. China Overseas Property (中海地產) was acknowledged as the number one among "Leading Brands of China Real State Companies". For eight years in a row, the Company has been voted the number one "China Blue Chip Real Estate" developer. China Overseas Property was awarded eight Zhan Tianyou (詹天佑) awards for excellence in its quality, design and management.

2. Prospect

Macro Economy

The launch of the various stimulus measures by the advanced countries of the United States and euro zone has yet to resolve the fundamental problems that have led to the current global financial crisis and economic imbalances. The economical development in the United States has lately shown some improvement but the momentum is far from adequate. It is also expected that more effort and time are required to resolve the euro sovereign debt crisis. Meanwhile, the excess liquidity generated by the quantitative measures has led to intensified investment activities, asset bubbles and inflationary pressure especially in the emerging markets. 2012 will be a challenging year for most enterprises. The Group will watch closely for the risk and opportunities triggered by any change in the international economic environment and will implement appropriate response measures in a timely and effective manner.

Amid a volatile and slowing economic environment abroad, it is expected that foreign trade will pose downside risk to China in 2012 while inflation has gradually been tamed. It is also expected that the Chinese central government will continue to adopt a proactive fiscal policy and prudent monetary policy. Since December 2011, the RRR has been reduced twice after a period of two years of only rises. In order to promote economic development and to increase domestic consumption, to attain the goal of making progress amid stability, it is expected that the credit liquidity will be appropriately further eased during 2012. This will be done mainly through further reductions in the RRR and even interest rates as appropriate. Economic development in both Hong Kong and Macau has become more closely linked to that of China and accordingly will inevitably be affected by the economic slowdown.

Business Development

Overall, the China property market in 2012 presents both challenges and opportunities. Though there have recently been slight signs of relaxation of the tightening measures for the property market, the tough restrictive policies will likely remain in place for some time, leading to immense short-term cyclical fluctuation in home price and transaction volume. Before the easing or eventual removal of the restrictive policies in the property sector, further softening of home prices and reduction in transaction volume of sales will continue. Over-leveraged medium-sized and small developers could be forced into a very difficult position. The market will undergo rapid consolidation and weak players will be eliminated while stronger parties will be able to increase their market share. The sales results for the Group in China in the first two months of 2012 recorded a slight increase as compared to the corresponding period in 2011, demonstrating the operational and sales & marketing capability of the Group. Looking at the year ahead, as the property sector tends to lead many other segments in the economy and is an effective driver of economic activity, it is expected that when economic growth is clearly slowing, inflation is under control and the development of the property sector has become more rational, the stringent tightening measures on property markets will gradually be eased, and the market environment will return to normal. The Group will take full advantage of its strong finance and diversified financing channels to actively increase financial resources and to seize investment opportunities including the acquisition of prime land parcels through various channels. Maintaining suitable precautions against risk, the Group will actively seek market opportunities to ensure sustainable growth even in times of uncertainty and to consolidate its leading status in the property industry. Moreover, rapid ongoing urbanisation will continue to drive the property market in China for some time yet. Hence, the Group is still fully confident about the long-term development of the mainland China property market.

It is expected that the property market in Hong Kong and Macau will undergo some adjustments but the high-end segment in which the Group operates will be little affected. The Group has now 8 property projects in Hong Kong and the estimated value of those available units for sale is about HK$15 billion. In Macau, the Group has 2 projects with an estimated value of about HK$8 billion. In 2012, the Group will seek appropriate opportunities to expand its business in Hong Kong and Macau.

Operational Philosophy

The Group holds to its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" (慎微篤行，精築致遠). The Group strictly adheres to its undertakings and conducts business with complete integrity and seeks progress amid stability (穩中求進). The Group also endeavours to maintain its high levels of creativity and to understand the demands of our customers in order to continuously consolidate and expand its market and customer base. The Group works hard to enhance its customer relationship management system and to maintain its customer-focused strategy. By collecting data on customer demand and complaints and sharing them with operational departments, the Group aims to convert customer complaints into opportunities to upgrade the quality of its products and services. The Group strives to improve the quality of its projects and to provide customers with a choice of highly differentiated and desirable products. The Group continues to stick to a development model focused on mid-range to high-end products that aims to maximise profit for the Group. The Group strives to consolidate and then strengthen its unique and immense competitive advantages in the PRC property sector by continuing to be innovative and with its core advantage of a prime product and branding strongly supported by its expertise in design, construction, sales planning, customer service and property management.

Brand Building

The Group firmly follows the operation philosophy of "A trusted brand growing through diligence and care" (精耕細作，品牌經營) in order to reinforce the elite image of China Overseas Property products. The Group tries its utmost and explores every avenue to improve the quality of its projects so that each project stands out and sets the pace among high-end products in the area. Through the successful launch of many high quality, value-for-money projects in and outside China, the China Overseas Property brand is highly regarded within and outside the China property industry. The brand reflects the culture of an organisation and in the case of the Company that include the pursuit of high quality product by China Overseas Property. Branding is one of the Group's primary and effective competitive edges. Enhancement of product quality and branding is effective in mitigating the effects of lower home prices. To operate under such a highly regarded brand enables the Group to earn higher profits than its peers and facilitates the Group's pursuit of its long term goal of becoming an evergreen enterprise.

The Group will continue to promote its corporate brand and to spread the "China Overseas Property" brand systematically in newly entered cities and territories. The ultimate goal is to make the "China Overseas Property" brand the most valuable brand in the mid-range to high-end property market throughout China.

Sustainable Project Development

The Group will closely monitor the market and control the pace of its project development and sales appropriately. The Group will continue to launch targeted, highly differentiated, premium products. By leveraging its brand name, backed by innovative marketing and sales operations, the Group can improve its sales results and cash flow, maximise the return on its assets and ensure sustainable growth in the scale and profitability of its operations. Taking into account the market situation, it is planned that in 2012, the Group will commence development of an additional 9.6 million sq m bringing the total area under development to over 20 million sq m at the peak time; projects with GFA of 7 million sq m will be completed; in 2012, the Group will strive to achieve total sales of not less than HK$80 billion, same as the target for 2011.

The Group will take advantage of the synergy generated by the highly respected "China Overseas Property" brand in the high-end sector of the mainland China property market to ensure the successful sales of the two luxury projects in Hong Kong (6 Stanley Beach Road and 1 Oxford Road) and the smooth development and pre-sale of The Green project in Fanling and the Kowloon Tong Grampian Road project. As at the date of the results announcement, out of the total 253 houses at The Green project, 204 units have been sold for HK$4.56 billion.

Better Business Structure

The Group will continue to operate a business structure with residential development as the main element and investment property in a supplemental role. It will balance resource allocation for short-term and long-term investment and gradually increase its weighting on investment property so as to obtain stable long-term returns and to enhance its capability to balance market risk. In the long term, the Group will work towards securing a profit contribution from investment property of at least 20% of total profit. Currently, the total area of commercial property under development and yet to be developed by the Group amounts to about 2.5 million sq m. Of this, about 1.5 million sq m (the Group's attributable interest) will be completed before 2015 and will be retained as long-term investment property.

Land Replenishment

The Group will calmly meet the challenges ahead. Taking into account the cash inflow from its sales, the Group will maintain an appropriate scale of investment and capture opportunities offered by market adjustments to replenish its prime land reserve through a variety of means and channels. It is intended that the Group will enter 3 or 4 new cities in 2012 and the replenishment of its land reserve will not be less than 7.2 million sq m in GFA.

Up to the date of the results announcement, the Group (excluding COGO) has in 2012 acquired 1 parcel of land in Foshan City with a total GFA of 730,000 sq m while COGO has acquired a parcel of land in Ganzhou City with a total GFA of 1.4 million sq m.

Multi-Growth Models

The Group will strive to expedite its development and expand its development scale through joint venture cooperation and mergers and acquisitions. At the end of 2011, the Group's investment interest in joint ventures and associated companies plus the amount due from and less the amount due to joint ventures and associated companies amounted to HK$25.07 billion. Since most of the joint venture projects are large and at the investment phase, the profit contribution including the imputed interest for 2011 was HK$1.01 billion. However, it is expected that the joint ventures will generate significantly increased contributions in the coming few years. Starting February 2011, COGO has become an associated company of the Group. COGO will focus on third- and fourth-tier cities in China and is expected to develop rapidly in the coming years and will effectively complement the business of China Overseas Property. COGO recorded a turnover of HK$5.17 billion and a net profit of HK$1.80 billion for the year 2011. After adjusting for the profit booked by the Group when the control of COGO was acquired in 2010, the Group still had a net profit of about HK$240 million. The real estate fund established in March 2010 is operating smoothly. Phase II of the fund, which will invest in and operate with the Group or COGO on brand new projects, was established in October 2011 at a size of US$230 million.

Market Leading Status

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

Prudent Financial Management

It is expected that the financial market liquidity will be tight, especially in the first half of 2012. The Group will continue to adhere to prudent financial management while it strives to improve its fund management capability further in order to enhance its financial strength and resources and to increase its asset protection capabilities. In such a tough market, the Group will tightly control its sales and marketing, administration and financial expenses and stick firmly to the principle of "Cash is king. Receipts determine payments" (現金為王，以收定支). The Group will continue to explore new fundraising channels and make full use of its fundraising platforms in the international and Hong Kong financial markets, in order to provide solid and plentiful funding for its business development. In February 2012, the Group seized an opportunity and successfully issued two 5-year bonds with an aggregate value of US$750 million, both at a yield of 4.917%. This reflects the leadership status of the Group in the China property sector and the recognition of the credit standing of the Group. The debt maturity profile of the Group was also further improved.

The Group will continue to upgrade and promote its ERP system to enhance the communication of project and financial information, intensify cash-flow control across all regions, increase cash inflow and effectively combat the risks brought about by any shortage in liquidity.

Business Prospects

The Board is confident about the prospects for the Group. Strong profit growth has been sustained in the past four years despite the impact of the global financial crisis. The Group was able to maintain growth in the difficult 2008, to follow the market trend and seize opportunities in the blossoming 2009, to achieve more than 50% growth in net profit while the market was filled with uncertainty in 2010 and to mitigate risks and to beat targets set at the beginning of the year as well as to succeed in achieving rapid growth while the market was under stringent tightening measures in 2011. This demonstrates the Group's strength and flexibility. 2012 is expected to be full of risks and uncertainty brought about by the unfavourable global political and economical environment. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." Furthermore, with its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness through its consistent innovation. The Group is very confident that it can maintain its leadership position in the China property industry and achieve steady high-quality balanced growth.

Mission

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

Appreciation

Lastly, I wish to express my sincere appreciation to the shareholders and business associates for their support and trust and the entire staff for their dedication. I would also like to express my gratitude to my fellow Directors for their guidance and wise counsel.

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

Hong Kong, 15 March 2012

Management Discussion and Analysis



Management Discussion and Analysis

Overall Performance

Residence 9, Beijing

In 2011 the Group had Another Excellent Year

The Group's turnover amounted to HK$48.58 billion (2010: HK$44.31 billion), an increase of 9.6% (after taking out turnover related to COGO for both years, turnover increased by 19.0%). Operating profit was HK$23.39 billion (2010: HK$18.91 billion), an increase of 23.7%. Net profit attributable to shareholders and other comprehensive income amounted to HK$15.03 billion and HK$3.00 billion respectively (2010: HK$12.37 billion and HK$2.11 billion), increases of 21.5% and 42.2%. Other comprehensive income mainly comprises exchange differences arising on translation of the Company and its subsidiaries, jointly controlled entities and associates. Basic earnings per share were HK183.9 cents (2010: HK151.4 cents), an increase of 21.5%.

The equity attributable to shareholders of the Company at the end of 2011 increased by 28.5% to HK$70.31 billion (2010: HK$54.73 billion).

Property Sales

The Group's and jointly controlled entities' turnover of property sales for the year were HK$46.76 billion and HK$9.75 billion respectively.

Turnover of property sales, including share of property sales of jointly controlled entities, was HK$52.76 billion (2010: HK$45.78 billion), increasing by 15.2%. Turnover from property sales mainly related to property projects such as Residence 9, Windsor Pavilion and The Metropolis in Beijing, Gold Coast and Starcrest in Foshan, La Cité in Shenyang, The Phoenix in Nanjing, International Community in Xian, International Community in Suzhou, and Coastal Palace in Shanghai.

Profit from property sales (including the Group's share of result of jointly controlled entities) amounted to HK$20.02 billion (2010: HK$16.70 billion), increases of 19.9%. Amid a highly competitive market environment, the Group achieved a satisfactory growth in its turnover and profit in 2011.

Property Rental

Turnover from property rental of the Group amounted to HK$360 million (2010: HK$290 million), an increase of 24.1%. The rise in rental income was mainly due to higher market rent and higher occupancy rate. Segment results amounted to HK$3.33 billion which include an increase in the fair value of investment properties amounting to HK$3.02 billion (net income after deferred tax was HK$2.01 billion). Operating profit was HK$310 million (2010: HK$270 million), an increase of 14.8%.

Other Operations

Turnover from other operations amounted to HK$1.46 billion (2010: HK$1.06 billion), an increase of 37.7%, mainly derived from property management and the Hua Yi design business.

Turnover from property management amounted to HK$1.04 billion (2010: HK$800 million), an increase of 30.0%. The Group is dedicated to offer the finest service to residents and tenants. As at the end of 2011, the Group managed a total GFA of 30 million sq m.

Turnover from the Hua Yi design business amounted to HK$310 million (2010: HK$220 million), an increase of 40.9%. Operating profit amounted to HK$34 million (2010: HK$13 million), an increase of 160%. Since its establishment 20 years ago, Hua Yi has completed about 1,000 projects.

Land Reserves

Annual Summary

- 18 parcels of land were acquired by the Group (excluding COGO) in 16 mainland cities, providing a total GFA of 9.06 million sq m (attributable interest of 8.64 million sq m); 2 parcels of land were acquired by the Group in Hong Kong for a consideration of approximately HK$880 million, providing a total GFA of 4,907 sq m.
- 1.50 million sq m of land reserves were acquired by COGO in tier-three and tier-four cities including Hohhot, Nanning, Jilin, Hefei and Lanzhou.
- At the end of 2011, total GFA for development owned by the Group amounted to 34.45 million sq m (attributable interest of 30.18 million sq m), an increase of 12.7% as compared to that at the end of 2010; COGO had a total land reserves of 6.45 million sq m.

The Group believes that an appropriate land policy is key to the success of a property developer. As project construction costs are relatively controllable and stable, land costs become a decisive factor in the total development costs of a project. The product of a project, and eventually the profit it generates, is basically determined by the quality of the land site on which it is developed. Property is a capital-intensive business of a cyclical nature, subject to the impact of government policies from time to time in the case of mainland China. In recent years, it is generally required to make full payment of land premiums within a short period. Taking into account these factors, the Group attaches more importance to the quality, rather than quantity, of land acquired, as the commitment of substantial funds to land reserves could result in significant financial burdens that restrict the ability to acquire land when the market goes down. Therefore, the Group generally maintains land reserves of prime sites sufficient to meet its property development requirements over four to five years.

The Group strives to maintain an appropriate level of investment and to seize opportunities to replenish its prime land reserves through various means and channels, taking into consideration the economic environment, trends in the property market, funding capabilities of the Group, the land bank on hand, and the quality and costs of new land parcels.

The Group acquired 18 parcels of land in 16 mainland cities including Changsha, Changchun, Yantai, Qingdao, Nanchang, Shenzhen, Xiamen, Nanjing, Ningbo, Wuhan, Dalian, Zhongshan, Suzhou, Chengdu, Xi'an and Guangzhou for a total consideration of HK$25.05 billion and 2 parcels of land in Hong Kong for a total consideration of HK$880 million, providing additional GFA of approximately 9.06 million sq m, attributable interest of 8.65 million sq m. These land sites were mostly acquired during the first half of 2011, as Group's satisfactory sales during the first six months triggered strong demand for land replenishment. During the year, COGO acquired 1.50 million sq m of land parcels in 5 cities in mainland China and laid a solid foundation for sustainable development in tier-three and tier-four cities in China.

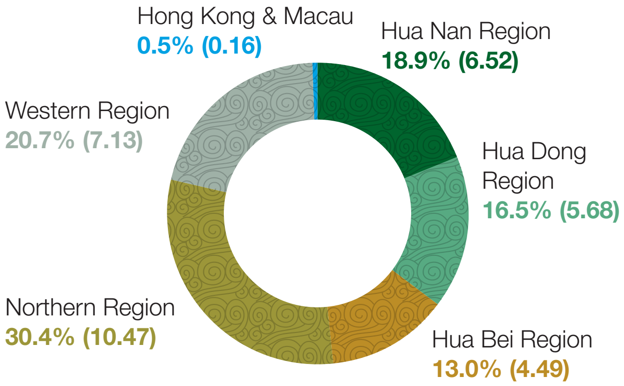
At the end of 2011, the Group had a total land reserves of over 34.45 million sq m (an attributable interest of 30.18 million sq m), in 25 mainland cities and in Hong Kong and Macau. The land reserves of the Group are evenly distributed throughout the Northern region (30.4%), the Western region (20.7%), Hua Nan region (18.9%), Hua Dong region (16.5%) and Hua Bei region (13.0%).

The Group's small land reserves in Hong Kong and Macau (160,000 sq m representing 0.5% of total land reserves) are of high quality and can provide satisfactory returns for the Group.

Given the stringent conditions of the property market in mainland China, the Group seized the opportunity to acquire prime sites at competitive prices. As at 15 March, the date of the results announcement, the Group (excluding COGO) has in 2012 acquired 1 parcel of land in Foshan City with a total GFA of 730,000 sq m while COGO has acquired a parcel of land in Ganzhou City with a total GFA of 1.4 million sq m.

Breakdown of Land Reserves by Region (excluding COGO)

million sq m



Land Reserves (continued)

National Coverage of the Group

Land Parcels added in 2011

Project Name		Land Area ('000 sq m)	Total GFA ('000 sq m)
Hua Nan Region			
Changsha	Dahexixiandao District Yanghuyuan Project	360	1,378
Zhongshan	Shiqi District North Project	73	242
Shenzhen	Longgang District Nanling Project	49	242
Xiamen	Jimei District Project	92	201
Guangzhou	Luogang District Kaiyuan Road D2 Project	200	553
Guangzhou	Luogang District Kaiyuan Road D4 Project	190	540
Wuhan	Jiangan District Houhu Street project	92	348
Hua Dong Region			
Nanchang	Chaoyang New City Project	176	457
Suzhou	Jinchang District Project	160	488
Nanjing	Pukou District Project	197	436
Ningbo	Beilun District Project	89	260
Northern Region			
Changchun	Gaoxin District Project	191	581
Changchun	Nanguan District Project	145	238
Yantai	Gaoxin District Shimao Road Project	81	293
Qingdao	Licang District Henan Nanzhuang Project	372	1,552
Dalian	Gaoxinyuan District Qixianling Project	83	295
Western Region			
Chengdu	Gaoxin District Renhe Project	119	576
Xi'an	Xi'an Qujiang New District Project	134	376
Hong Kong & Macau			
Hong Kong	Kowloon Fei Ngo Shan Road Project	3	1
Hong Kong	Kowloon Tong Begonia Road Project	3	3
Total		2,809	9,060

Total Land Reserves

	City	GFA ('000 sq m)
Hua Nan Region	Shenzhen	527
	Zhongshan	509
	Guangzhou	1,324
	Foshan	1,050
	Zhuhai	1,178
	Changsha	1,378
	Xiamen	201
	Wuhan	348
Hua Dong Region	Shanghai	701
	Ningbo	441
	Hangzhou	1,363
	Nanjing	1,098
	Suzhou	1,620
	Nanchang	457
Hua Bei Region	Beijing	617
	Tianjin	846
	Jinan	3,027
Northern Region	Shenyang	5,884
	Changchun	1,752
	Dalian	486
	Qingdao	2,057
	Yantai	293
Western Region	Chengdu	1,369
	Xi'an	1,881
	Chongqing	3,880
Hong Kong & Macau	Hong Kong	49
	Macau	112
	Total	34,448


Changchun
Shenyang
Beijing
Dalian
Tianjin
Jinan
Yantai
Qingdao
Xi'an
Nanjing
Shanghai
Chengdu
Suzhou
Wuhan
Hangzhou
Ningbo
Chongqing
Nanchang
Changsha
Xiamen
Guangzhou
Foshan
Zhongshan
Shenzhen
Zhuhai
Hong Kong
Macau
Hua Nan Region
Hua Dong Region
Hua Bei Region
Northern Region
Western Region
Hong Kong & Macau
Land Reserves of the Group (excluding COGO)
Land Parcels added in 2011

Property Development

The Group is committed to its philosophy of "Integrity, Excellence and Perpetual Product Quality" (誠信卓越，精品永恒). This philosophy will not change as our scale of operation grows. The Group strives to improve the quality of its projects on a continuing basis and to provide customers with differentiated residential housing that offers superb value for money.

Royal Court, Changchun

Annual Summary

- Projects (including by the joint ventures) with GFA of 5.22 million sq m were completed.
- Total saleable area (including by the joint ventures) of these completed projects amounted to 4.36 million sq m. Net of 130,000 sq m of long-term investment properties, 69.2% or 2.94 million sq m were sold.
- A total of 5.58 million sq m of property (including sales by joint ventures and associated companies) was sold, raising HK$87.09 billion, increases of 5.3% and 29.8% respectively over 2010.
- Gross profit margin of PRC property development remained high at above 40%; segment results was HK$20.02 billion, an increase of 19.9% over 2010.

While the property market was inevitably affected by the rigid austerity measures adopted in mainland China, demand in the nation's property investment market remained robust on the back of sound economic development, rising personal incomes and ongoing urbanisation, which also underscored the Group's confidence in the long-term development of the property market in mainland China. Looking back at the past year, the market performed well in the first half of the year with active trading and strong prices consolidating at high levels, the Group also seized the opportunity by increasing its marketing efforts. The business environment took an adverse turn in the second half of the year and sales were extremely sluggish in the fourth quarter.

The property sales (including sales by joint ventures and associated companies) for the year increased by 29.8% to HK$87.09 billion. Total sold area was 5.58 million sq m, an increase of 5.3% over 2010. Sales in mainland China were HK$84.66 billion, accounting for 97.2% of total sales and an increase of 26.8%. Total sold area in mainland China amounted to 5.57 million sq m, an increase of 5.1%. Sales in Hong Kong and Macau during the year increased by 630% to HK$2.43 billion. On a full-year basis, the Group reported record-high sales, attributable to its shrewd judgement and flexible marketing strategies in response to market changes, while the name of "China Overseas Property" was itself an effective driver in marketing and cushion for price corrections.

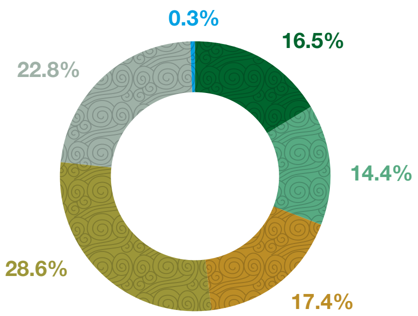
Property Development (continued)

In response to market changes, after making appropriate adjustments to the pace of construction of its property projects in mainland China and completion GFA (including by the joint ventures) was reduced to 5.22 million sq m, which was less than budgeted. Given numerous projects for sale in such an austere market, only 69.2% of these completed projects were sold. Despite the amount of sales recognised as the Group's turnover for the year increased only slightly by 8.8% to HK$46.76 billion, the segment profit remained high at HK$20.02 billion, representing a 19.9% growth. This was mainly attributable to the high gross profit margin of over 40%.

The Group's sales of properties held for sales were satisfactory with about 800,000 sq m sold for approximately HK$15 billion. At the end of 2011, the Group had about 1.45 million sq m of properties held for sales with the cost of HK$16.67 billion. The Group and the joint ventures (that is, excluding COGO) have together received pre-sales deposits at the end of 2011 amounting to HK$33.58 billion, an increase of 17.8% on last year.

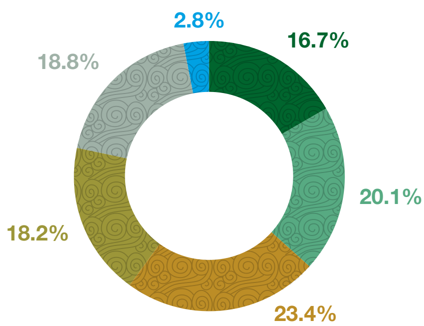
In 2012, greater volatility in the property market of mainland China is expected amid increased uncertainty. More intense competition and faster market consolidation are expected. 2012 will be a challenging year for most developers. As an operationally and financially sound developer with a strong brand name, the Group is in an advantageous position relative to others. The Group is confident of its performance in 2012 and sees sound opportunities to enlarge its market shares, acquire prime sites and consolidate its market leadership. Prospects for the property markets in Hong Kong and Macau remain favourable, especially in the luxury sector. With strong sales of The Green in Fanling bolstering its confidence, the Group will continue to expand its business in Hong Kong and Macau as and when appropriate in 2012.

2011 Property Sales in area by Region
'000 sq m



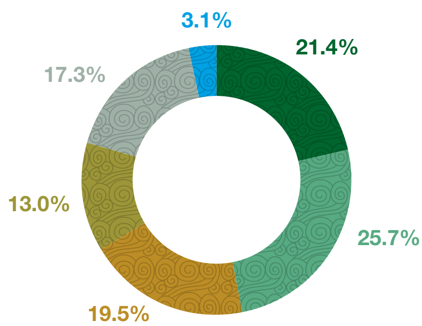
Hua Nan Region	923
Hua Dong Region	801
Hua Bei Region	971
Northern Region	1,595
Western Region	1,274
Hong Kong & Macau	16

2011 Property Sales by Region
HK$ million



Hua Nan Region	14,564
Hua Dong Region	17,495
Hua Bei Region	20,435
Northern Region	15,817
Western Region	16,349
Hong Kong & Macau	2,430

2011 Gross Profit Contribution by Region
HK$ million

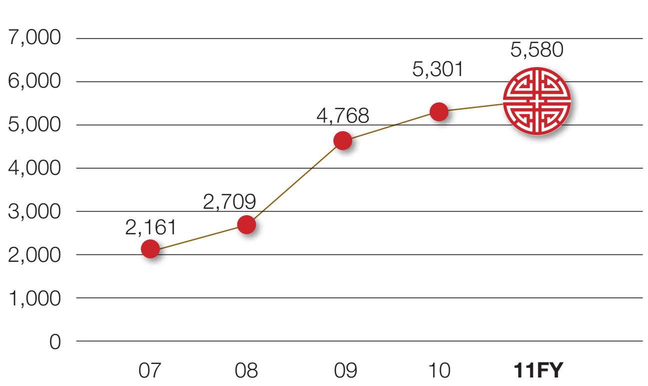


Hua Nan Region	4,303
Hua Dong Region	5,135
Hua Bei Region	3,912
Northern Region	2,609
Western Region	3,465
Hong Kong & Macau	614

The Group strives to expedite its development through joint venture cooperation and mergers & acquisitions. At the end of December 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$25.07 billion. There were altogether 17 joint-ventures, 3 of which were cooperated with the property fund set up by the Group. There was also 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. Sales from joint ventures reached HK$16.74 billion and recognised turnover was HK$9.75 billion. Besides, a cash inflow from sales of about HK$13.53 billion was recorded and with pre-sales deposits was HK$9.1 billion at year end. Joint ventures are financially sound with only HK$4.13 billion bank loans while holding cash amounted to HK$4.88 billion at year end. Since most of the joint venture projects are large and at the investment phase, the profit contribution including the imputed interest for 2011 was HK$1.01 billion. However, it is expected that contribution from the joint ventures will significantly increased in the coming few years. Furthermore, COGO is the major associated company of the Group and is expected to develop rapidly in the coming years and will effectively complement the business of China Overseas Property. COGO reported good performance in 2011 with a net profit of about HK$1.80 billion. After adjusting for the profit booked by the Group when the control of COGO was acquired in 2010, the Group still had a net profit of about HK$240 million.

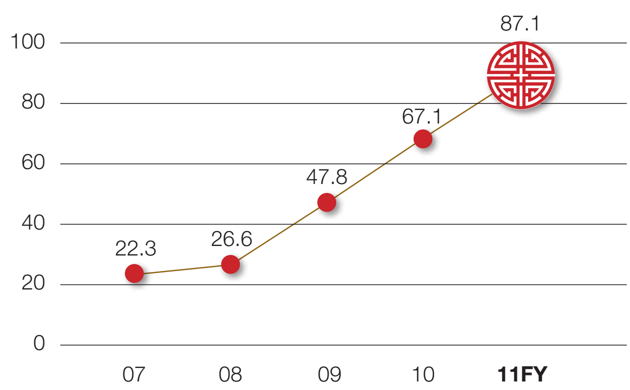
2007 to 2011 Growth in Property Sales Area

'000 sq m



2007 to 2011 Growth in Property Sales Amount

HK$ billion



Property Development (continued)

GFA of Projects Completed (including by the joint ventures) in 2011 by Region (unit: '000 sq m)		
	GFA	
Hua Nan Region		
Shenzhen	280	
Guangzhou	58	
Foshan	582	
Zhuhai	30	
Sub-total	**950**	**(18.2%)**
Hua Dong Region		
Shanghai	183	
Suzhou	275	
Ningbo	368	
Hangzhou	261	
Nanjing	76	
Sub-total	**1,163**	**(22.3%)**
Hua Bei Region		
Beijing	216	
Jinan	342	
Sub-total	**558**	**(10.7%)**
Northern Region		
Changchun	244	
Shenyang	731	
Dalian	88	
Qingdao	255	
Sub-total	**1,318**	**(25.2%)**
Western Region		
Xi'an	210	
Chongqing	427	
Chengdu	586	
Sub-total	**1,223**	**(23.4%)**
Hong Kong & Macau		
Hong Kong	8	
Sub-total	**8**	**(0.2%)**
Total	**5,220**	

In 2012, it is planned that the Group will commence development of an additional 9.6 million sq m, bringing the total area under development to over 20 million sq m at the peak time. Projects with GFA of 7 million sq m will be completed in 2012.

GFA of Projects to be Completed (including by the joint ventures) in 2012 by Region (unit: '000 sq m)		
District	**GFA**	
Hua Nan Region	1,463	(20.9%)
Hua Dong Region	965	(13.8%)
Hua Bei Region	1,306	(18.6%)
Northern Region	1,664	(23.8%)
Western Region	1,596	(22.8%)
Hong Kong & Macau	6	(0.1%)
Total	**7,000**	

Major Projects Under Development

La Cité, Shenyang

Northern Region

La Cité

Huanggu District
Shenyang (100%-owned)

La Cité is situated at a rare prime site in the core first ring zone of Shenyang, close to the underground station. The district is supported by a comprehensive transportation network and fully fledged community facilities. The project has a total GFA of 2.4 million sq m, including 2.3 million sq m of high-end residential units and villas and approximately 300,000 sq m of high quality office and commercial space. The planned development will be in four phases. Phase 1, which has an area of approximately 500,000 sq m, is currently under construction, over half of the units have been sold and is scheduled for completion in December 2012. Phase 2 is scheduled for completion in October 2016.

Northern Region

Royal Court

Economic and Technology Development Zone
Changchun (100%-owned)

Located within the economic and technology development zone, Royal Court enjoys convenient transportation access as it is well connected to various major highways. With a total GFA of 500,000 sq m, the project comprises 24 residential towers, offering over 2,450 units and will be developed in four phases. Phase 1 comprises 9 residential towers with an area of approximately 110,000 sq m, 250 units were sold since September 2011. The entire Phase 1 is expected to be completed by June 2012. Phases 2 and 3, offering approximately 2,000 units in 15 blocks, are currently under construction and are scheduled for completion in late 2012 and late 2014, respectively.

Residence 9, Beijing

Hua Bei Region

Jinan International Community

Southern Central City District
Jinan (100%-owned)

Located at the southern end of Jinan's central axis, the Jinan International Community is a comprehensive integrated development project offering a total GFA of 2.88 million sq m, comprising mainly high-end residences, villas and serviced apartments, complemented by office towers and shopping malls. The project will offer a total of 27,733 units. It will be completed in several phases, over half of the units in Phases 1-3, combining total GFA of 820,000 sq m, have already been sold and completion is scheduled by June 2013. The remaining phases, with an area of 2.10 million sq m, are scheduled for completion in 2014.

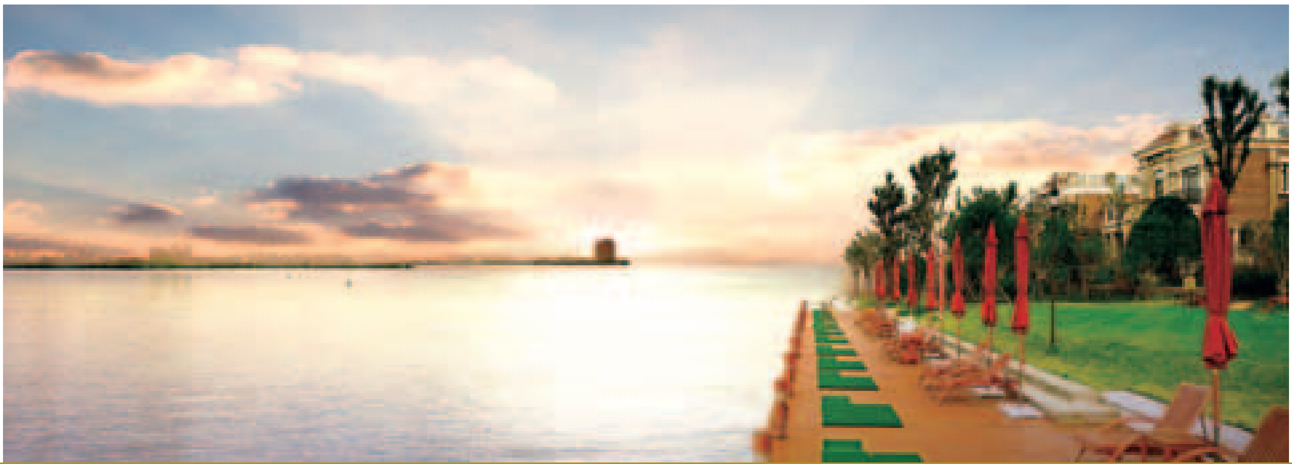
Hua Bei Region

Residence 9

Hua Xiang Liu Quan Village
Fengtai District, Beijing (100%-owned)

Located at Hua Xiang Liu Quan Village in the Fengtai District in Beijing, Residence 9 is immediately adjacent to the western fourth ring road, with a view of the World Park and the Huake Golf Course towards the west, affording a vista of nature and tranquillity. Top quality made the project popular with buyers and reinforced the Group's brand name. It has a total GFA of about 570,000 sq m, comprising 286 luxury villas and 916 residential units, out of which 208 luxury villas were completed in 2011. A total of 94 luxury villas, together with 208 residential units, have been sold since the launch of the sales at the beginning of the year, despite the challenging market conditions. The entire project is scheduled for completion by the end of 2012.

Major Projects Under Development (continued)



Lohas Island, Suzhou

Hua Dong Region

The Phoenix

Gulou District City Center
Nanjing (100%-owned)

The Phoenix is located in Gulou District, the city centre of Nanjing where vibrant economic activities thrive. Transport access is very convenient with comprehensive community amenities nearby. The project has a total GFA of 570,000 sq m and will be completed in four phases. There will be 20 residential towers accommodating approximately 2,000 high-end residential units, with a total GFA of approximately 400,000 sq m, complemented by 170,000 sq m of office and commercial space and serviced apartments. Phase 1, with total GFA of over 170,000 sq m, 10 residential towers have been on sale and was met with a favourable response from the market. Approximately 80% of these units have been sold. The construction of phases 2–4 is under way and completion of the entire project is scheduled for 2014.

Hua Dong Region

Lohas Island

South Dushu Lake
Ye Pu Tang East, Suzhou (100%-owned)

Situated on an island to the east of Ye Pu Tang in South Dushu Lake, the Lohas Island Project incorporates a garden landscape, thriving commercial activity in the old city and comfort, all under one roof. The community is connected to the outside world through just two bridges, affording residents to enjoy extra privacy and privilege. The island is facing a 11.52 square kilometres lake with breathtaking views.

The Lohas Island Project is being developed in three phases, with a total GFA of 400,000 sq m. Phase 1, comprising 140 luxury villas with a total GFA of 46,000 sq m, has been completed and is nearly sold out. Construction of 274 luxury villas, with a total GFA of over 160,000 sq m, is under way, with 69 villas sold and scheduled for completion by the end of 2012. Phase 3 is currently at the planning stage.

No. 1 Lake Lantern, Foshan

Hua Nan Region

No. 1 Lake Lantern

Qiandeng Lake District
Foshan (100%-owned)

No. 1 Lake Lantern is located at the heart of the Qiandeng Lake District in Nanhai, Foshan, near Qiandeng Lake Park, the largest water landscape park in Foshan, which is positioned as an eco-friendly project with pleasing environs. The project comprises 26 residential towers offering 2,833 units, with a total GFA of 750,000 sq m. Construction of Phase 1, comprising 713 units with a total area of over 230,000 sq m is nearly complete. Pre-sales began in October 2011 and the response has been encouraging, with 60% sold. Construction of phases 2–3 is progressing smoothly and the entire project is scheduled for completion by the end of 2013.

Major Projects Under Development (continued)

La Cité, Chongqing

The Paragon, Macau

Western Region

La Cité

CBD, Jiangbei
Chongqing (45%-owned)

La Cité is a joint venture project, of which the Group holds a 45% interest. Located in the core central business district in Jiangbei, it affords a spectacular landscape rarely seen in Western China, with a commanding view of the confluence of the Yangtze River and Jialing River to the east. The project has a total GFA of approximately 460,000 sq m divided in three phases, comprising 16 high-end residential towers and 47 villas and is planned to accommodate approximately 2,436 residential units. Construction is currently under way. The 5 residential towers of Phase 1 with 834 units have been on sale since April 2011, with half of them being already sold. The construction work for Phase 1 is nearly complete. Phase 2 is still at the planning stage and foundation work for Phase 3 is ongoing. The entire project is scheduled for completion in 2014.

Hong Kong and Macau

The Paragon

Avenida 24 de Junho
Macau (100%-owned)

The Paragon occupies an extremely prestigious location on Avenida 24 de Junho adjacent to a six-star international hotel, only five minutes from the Macau Outer Harbour Ferry Terminal and 10 minutes from Macau international airport. The transport network will be further enhanced when the Hong Kong-Zhuhai-Macau Bridge is completed in 2015, which will allow direct access to Hong Kong via a 38-minute ride. The project has a total GFA of approximately 40,000 sq m. It is decorated with a glass exterior façade featuring six facets, making for a glittery, diamond-like appearance. It is an integrated single tower development with 30 levels, offering 100 hotel rooms over five levels and 189 residential units, with areas ranging from approximately 80 to 190 sq m, over 21 levels. Construction is proceeding smoothly and is scheduled for completion in 2014. Pre-sales were launched in April 2011 with an encouraging response that over 80 residential units were sold.

The Green, Hong Kong

Hong Kong and Macau

The Green

Fanling
Hong Kong (100%-owned)

The project is located in a traditional resort area for the privileged, situated next door to the Hong Kong Golf Club and the Hong Kong Jockey Club Beas River Country Club. The project has a total GFA of 58,000 sq m, divided among 253 detached and semi-detached garden villas, each with an area ranging from approximately 190 to 370 sq m, as well as a residential clubhouse called the Green Club, with an area of approximately 6,500 sq m. It is the largest and most comprehensively equipped of its kind in the neighbourhood and features the first pet club house in Hong Kong. Construction is under way and the market launch was held in February 2012 with a very enthusiastic response. 204 villas were quickly sold within two weeks of the launch.

China is a vast country whose local and regional economies are developing at varying rates, and its property markets are also at different stages from one another. Comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group's compound growth rate of over 50% over the past five years is attributable to the effective implementation of this strategy. While the Group is entering into more second-tier cities, it retains its focus on first-tier cities. Since the performances in Beijing, Shenyang and Suzhou were outstanding in 2011, we would like to highlight these 3 cities below.

Beijing Company

I. Overview of the Beijing Market Environment

As the political, economic and cultural centre of China, Beijing is a sizeable market that holds out enormous development potential in the real estate market. An increasing number of foreigners are attracted to buy properties in this core first-tier city, given its improved infrastructure and ancillary facilities in the wake of the 2008 Olympic Games. As at the end of 2011, the permanent resident population of the city exceeded 20 million. However, in recent years, as real estate development activities have grown and the city has continued to expand, land resources available for property development within the city area have become so scarce that a lot of property developers have been shifting their focus to more distant outskirt districts. For the full year of 2011, a total of 6.55 million sq m of commodity housing located beyond Ring 5 were marketed, accounting for 80.6% of the housing property marketed in the entire city. This regional imbalance of supply has meant that commodity housing in the core city areas enjoy relatively stable transaction prices, whereas prices in the outskirts tend to be volatile due to high supply and greater competition in the market, which also makes such areas more susceptible to government policies for industry regulation.

As such, the location and level of rarity of land reserves is becoming an important factor affecting the success of property developers in core first-tier cities. In the case of Beijing Company, over 90% of its land sites, including those in progress or to be developed, are located within Ring 5. The quality and size of Beijing Company's land reserves has significantly insulated it from market risks.

II. Overview of the 2011 Operating Results of Beijing Company

The property industry had an extremely difficult year in 2011. In Beijing, government policies were implemented more rigorously than elsewhere, the decline in market transactions was particularly significant. Nevertheless, Beijing Company delivered strong results in austere market conditions, reporting sales of HK$10.1 billion with 220,000 sq m sold, cash inflow from sales amounted to HK$9.8 billion, turnover and operating profit amounted to HK$8.0 billion and HK$3.2 billion respectively. Beijing Company ranked top in the 2011 property sales chart of Beijing as outright market leader.

III. Analysis of the Core Competitive Strengths of Beijing Company

Real estate development is an industry characterised by "five highs": high market risk; high capital investment; high technological level; high level of policy intervention; and high economic return. After years of involvement in property development, in particular the recent rapid and large-scale development, Beijing Company has fostered a set of "core competitive strengths in property development".

(I) Strong marketing and sales capabilities

The sales teams of Beijing Company responded to policy control measures and market pressures by adopting flexible and innovative marketing strategies on the back of its strong capabilities. Close to 1,700 property units of various types with an aggregate saleable area of approximately

220,000 sq m were sold, with total sales of HK$10.1 billion. The market influence and brand reputation of China Overseas Property was further enhanced as Beijing Company ranked top of the property sales chart of Beijing and stayed ahead of other branded property developers of the city all through the year. Three major projects were launched for sale: Residence 9, Windsor Pavilion and The Metropolis. All three were among the frontrunners in the Beijing property sales chart and each was in pole position for sales in its respective regional market.

(II) Excellent design and innovative ability enables constant product upgrades and reinforcement of the elite image of high-end products

As a top-tier property developer, Beijing Company responded to a policy-squeezed market and shrinking purchasing powers by pursuing "Excellent architecture with innovative designs" amid the weaker market sentiment. It enhanced its competitiveness by launching properties with elegant, high-class features, developed through its outstanding design and innovation capabilities, constantly striving to reinforce the elite image of high-end products. More than 30 awards and honours were garnered by the company in 2011, including the "China Civil Engineering Jian Tian Yao (詹天佑) Award 2011 — Gold Award (Residential Community)" for Windsor Pavilion, and the "China Innovative Award for Planning and Design of Residential Housing 2011" for Residence 9.

(III) Unique acumen for land acquisition enables company to rapidly embark on major development

Judicious acquisition of prime land resources assures that the properties developed by Beijing Company are keenly sought by buyers, so that the business scale of the company is constantly expanding and its market reputation rapidly building. Ever since its embarkation on earlier developments, such as Zhong Hai Ya Yuan and Zi Jin Yuan, Beijing Company has been committed to the acquisition of land resources in the central areas of Beijing. Of the 23 projects it has developed, all except two (Walden Pond Villa and Zhonghai Golf Garden, which are pure villa projects) are located in Beijing's core areas. As at the end of 2011, Beijing Company held land reserves of approximately 620,000 sq m (with attributable interests of 610,000 sq m).

Foundation-laying ceremony of Residence 9, Beijing

Windsor Pavillion, Beijing

Sales team of Beijing Company

Property Development (continued)

International Community, Shenyang

Shenyang Company

Shenyang, provincial capital of Liaoning Province and one of 15 quasi-provincial level cities of the PRC, is the largest cosmopolitan city in Northeast China, as well as the political, economic, financial, cultural, transportation, information and tourism centre of the region. It is also one of China's most important industrial bases. The Shenyang property sector has been growing rapidly in recent years, as renowned property developers throughout the nation hasten their pace to set foot in Shenyang. In 2011, commodity housing units in Shenyang with an aggregate area of 16.67 million sq m were sold for 103.6 billion yuan, an average selling price was 6,214 yuan/sq m. Among municipal property markets in China, Shenyang is now one of the cities showing the healthiest development trends.

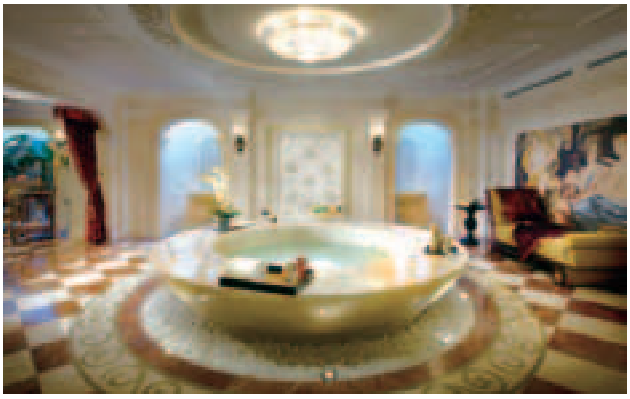
Shenyang Company entered the Shenyang market in 2007. Properties currently under development held by Shenyang Company include International Community, Center Villa, COLI City, The Central Villa, La Cité and Shengjingfu. These properties will be developed into high-rise apartments, mini-high-rise apartments, multi-storey buildings, villas, townhouses and commercial properties, and with an aggregate GFA of 6.50 million sq m upon an aggregate site area of 2.46 million sq m. In 2011, the total sold area of the 6 projects amounted to 700,000 sq m and sales was HK$6.5 billion. Turnover amounted to HK$4.2 billion and operating profit amounted to HK$600 million. The Shenyang Company is expected to scale new heights in 2012 despite adverse market conditions.

Shenyang Company has built a strong market reputation and brand influence, thanks to three years of meticulous effort, showing diligence and care, as it was committed to participation in various construction projects in the capacity of a city builder, rather than merely a property developer. The work has been well recognised by the market, as evidenced by awards and honours garnered by Shenyang Company in 2011, which included "China Civil Engineering Zhan Tianyou (詹天佑) Award — Residential Outstanding Construction Award", "Top Enterprises in Brand Influence", etc.

Suzhou Company

Located in the southern region of Jiangsu Province, Suzhou is a famous tourist destination in China with breathtaking scenery as well as a rich historical and cultural heritage. It connects Shanghai to the east and borders the Zhejiang Province to the south, while the Taihu Lake flourishes in the west and Yangtze River runs through regions north of the city. The property market of Suzhou has enjoyed phenomenal growth, with an average of approximately 6.60 million sq m of residential land sites in Metropolitan Suzhou (comprising seven administrative districts) being granted annually and an average of approximately 6.80 million sq m of commodity housing being sold annually during the past three years. The property market in Suzhou is relatively stable with well-balanced demand and supply. Despite the launch of a series of tough tightening measures towards the China property sector, 54,500 commodity housing units or 6.07 million sq m in area were transacted in Metropolitan Suzhou in 2011, representing annual growth of 16.5% or 17.4% respectively. The aggregate sales increased by 8.3% to 55.9 billion yuan, underpinning sound stability of the Suzhou property market.

Royal Villa, Suzhou



Interior design of Royal Villa, Suzhou

After establishing its presence in Suzhou Industrial Park in June 2004, Suzhou Company went on to acquire and develop six mega-sized premium projects there, namely Lakeside Palace, The Royal Peninsula, Royal Lakefront, Royal Villa, Galaxy Centro and International Community. The success of these projects has significantly enhanced market recognition of our brand name, in line with the Group operational watch word: "A Trusted Brand Growing Through Diligence and Care." In 2007, Suzhou Company embarked on the Nobel House Project in a vigorous effort to develop the Old Town District of Suzhou. In 2008, Suzhou Company extended the reach to Wuzhong District and acquired through auction a prime waterfront site along Dushu Lake for the development of the Lohas Island Project. In 2010, Suzhou Company acquired Site No. 2009-B-123 in the CBD of the Suzhou Gaoxin District through forming a joint venture with Youngor Real Estate. In a bid to introduce innovation in architectural style, the site was developed into luxury properties with features of the "Neo-Shanghai Style." In 2011, Suzhou Company acquired Site No. 2011-B-4 in Jinchang District at competitive prices, laid a solid foundation for better business structure and its sustainable development. As at the end of 2011, the Company held 10 sites in Metropolitan Suzhou with a GFA of 3.50 million sq m upon an aggregate site area of 1.83 million sq m, covering the top five growth districts.

The aggressive approach of Suzhou Company is reflected in its top ranking in Suzhou in terms of contracted sales value for consecutive five years in a row. In 2011, properties with an aggregate area of 290,000 sq m were sold for HK$5.3 billion. Turnover amounted to HK$4.4 billion and operating profit amounted to HK$2.2 billion. In 2012, major projects such as the construction of rail transportation and the development of new city districts will continue to drive the value of Suzhou as a city, and opportunities in the property market can only grow. Optimistic about Suzhou's development in the long-run, we are committed to achieve rapid business growth in this city by delivering superb quality through diligence and care as we continue to establish new benchmarks.

Property Investment

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

China Overseas International Center (Phase One), Chengdu

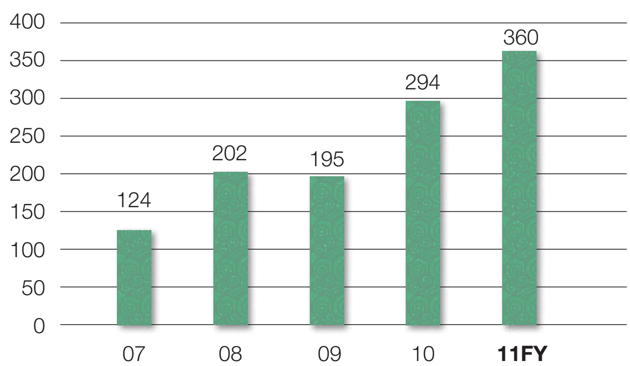
Annual Summary

- Investment properties held as at the end of 2011 amounted to 410,000 sq m.
- Investment properties under development or to be developed totalled over 1.50 million sq m.
- Annual rental income was HK$360 million.
- Increase in fair value of investment property amounted to HK$3.02 billion, mainly coming from Beijing China Overseas Property Plaza, Chengdu China Overseas International Center Phase One and China Overseas Building in Hong Kong.

The Group is striving to develop a series of high-quality investment properties. Following the completion of Chengdu China Overseas International Center Phase One at the end of 2011, the Group held an aggregate of 410,000 sq m of investment properties in Hong Kong and mainland China. The overall occupancy rate of the Group's investment properties was satisfactory. Total rental income for the year was HK$360 million, representing an increase of 24.1% over 2010. Total rental income arising from Hong Kong amounted to HK$120 million, while that from the mainland amounted to HK$240 million. Segment profit amounted to HK$3.33 billion, which included an increase in fair value of investment properties of HK$3.02 billion (net income after deferred tax was HK$2.01 billion). Operating profit was HK$310 million, representing an increase of 14.8% as compared with 2010.

Rental Income

HK$ million



Completed Investment Properties

Chengdu China Overseas International Center Phase One, the latest office project of the Group, was completed towards the end of 2011. It is located in the core financial CBD of the Southern Region of Chengdu International City, which is well supported by complementary business facilities and convenient transport access. Comprising two Grade A office towers with a total GFA of 128,808 sq m, the leasing is progressing well and was welcomed by the market for its modern design, up-to-date specifications, advanced facilities and innovative green features.

The Grade A offices at China Overseas Property Building and China Overseas Plaza in Beijing continued to perform well in the rental market with a high occupancy rate of 99%, as large international companies and financial institutions were attracted by their prime locations.

The global leasing campaign for the five Unimalls (環宇城) in Nanjing, Shenyang, Tianjin, Jinan and Zhuhai, with a total leasable area of 300,000 sq m was launched in November, demonstrating very healthy prospects for China Overseas Investment Properties.

Major Completed Investment Properties

	Name of property and location	Year of lease term expiry	Group's interest %	Approximate gross floor area sq m
(a)	China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	2047	100	19,485
(b)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	2051	100	24,668
(c)	China Overseas Plaza, Jianguomenwai Avenue, Chaoyang District, Beijing	2053	100	138,328
(d)	China Overseas Property Plaza, West Bin He Road, Yong Ding Men, Dong Cheng District, Beijing	2043	100	81,619
(e)	China Overseas International Center Phase One, No. 199 Jincheng Road, Gaoxin District, Chengdu	2048	100	128,808

Investment Properties Under Construction

The Group will hold to its strategy of increasing its weighting on investment property so as to provide stable long-term income. The target is to increase its profit from investment properties gradually to 20% of its total profit. Premium investment properties are currently being developed by the Group in Tianjin, Chengdu, Shenyang, Jinan, Nanjing and Zhuhai. Currently, the GFA of the Group's commercial properties, both under development and yet to be developed in the next few years, is about 2.50 million sq m. It is planned that around 1.50 million sq m (the Group's attributable interest) will be retained as long-term investment properties. Together with the existing 410,000 sq m of investment properties, the Group will have investment properties of over 1.90 million sq m (the Group's attributable interest) in 2015.

Name of property and location	Year of lease term expiry	Group interest %	Approximate gross floor area sq m
(a) China Overseas International Building, Bin He West Road, Tanggu District, Tianjin	2049	100	138,844
(b) China Overseas International Center Phase Two and Three, No. 199 Jincheng Road, Gaoxin District, Chengdu	2048	100	247,642
(c) China Overseas Plaza, Ta Wan East Road, Huanggu District, Shenyang	2049	100	181,542
(d) China Overseas Plaza, Jiu Qu Zhuang Road, Shizhong District, Jinan	2049	100	126,940
(e) International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan	2049	100	195,712
(f) China Overseas Building, Phoenix West Road, Gulou District, Nanjing	2048	100	110,397
(g) China Overseas Building, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	2048	100	314,321
(h) China Overseas Plaza Tower, Bai Shi Road, Xiangzhou District, Zhuhai	2050	100	211,268

Property-Related Businesses

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

Beichuan Administrative Center

Planning and Construction Design

Since it was established in 1986, Hua Yi has grown into a nationwide provider of integrated services in architectural design and city planning. Over 25 years of development, the company has operated on a "'Architectural — Urban planning' double class-A qualification operational platform", building a presence in six core geographic regions (Shanghai, Nanjing, Wuhan, Beijing, Chongqing and Guangzhou).

Hua Yi has over 500 highly educated and experienced staff, providing mainly design services for public buildings, urban planning, residential planning, as well as interior design, consultation and strategy. Hua Yi stands out as an advanced operation with international vision. To date, Hua Yi has completed about 1,000 projects. Projects covered town planning, development of residential complex, integrated office buildings, hotels, medical architectures, tall and super tall structures etc. Our 110 architectures have been honored with over 290 outstanding design awards offered by the nation and the provinces of China.

In 2011, new contracts signed by Hua Yi exceeded HK$600 million, turnover amounted to HK$310 million and operating profit amounted to HK$34 million.

Over the year, 25 branded projects were completed. Through a wide range of socially influential public architecture such as Beichuan Administration Centre, Jinan China Overseas Plaza, Tianjin Xiangluowan, Dapeng Geology Museum, Shenzhen University Research Centre, Peking University HSBC Business School and Nanjing CSCEC Tower and six residential projects that have won awards at provincial level or above, we have enhanced our brand image and won extensive praise and respect from customers, government authorities and business partners. Meanwhile, in order to expand its product line and foster new niches for profit growth, Hua Yi established 北京中海華藝城市規劃設計有限公司 (the "Planning Company") in 2009 and obtained "National class-A qualification for Urban — Rural Planning" in August 2010 to complete the platform of "'Architectural — Urban planning' double class-A qualification". The business of the Planning Company grew rapidly in 2011 as 31 city planning projects of various types were agreed during the year, including signature projects such as Shenzhen Tsunami and Earthquake Research Centre and Foshan Guzhen Redevelopment Project. The formation and successful operation of "'Architectural — Urban planning' double class-A qualification" operational platform underlines the ability of Hua Yi to complete large-scale integrated projects on an independent basis, giving it a pre-eminent position in the market.

Basic experiment building, Shenzhen University

Property-Related Businesses (continued)

China Overseas Property Management Team

Property Management

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

During the year, the Group recorded property management fee income of HK$1.04 billion (HK$260 million from Hong Kong and HK$780 million from mainland China), representing an increase of 30.0% over 2010.

China Overseas Property Management managed properties with an aggregate area of over 30 million sq m, representing a 31.3% growth compared with 2010. Geographic regions under its management cover 28 major cities including Beijing, Shanghai, Guangzhou, Shenzhen, Shenyang, Chengdu and Tianjin. It managed a variety of properties including high-end residential community, villas, office towers, shopping centres and schools, providing property management services to over 180,000 landlords and tenants.

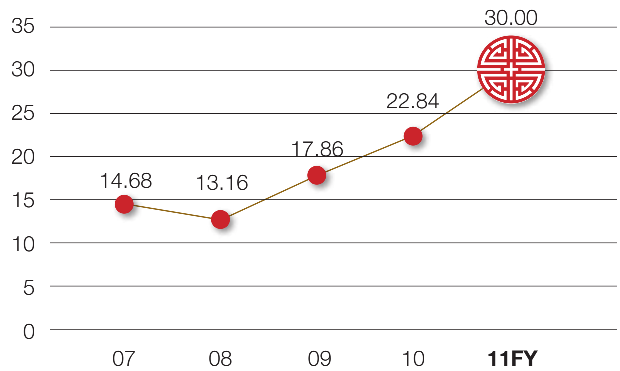
In order to facilitate standardised and specialised management, China Overseas Property Management manages commercial properties and residential properties separately by setting up commercial properties management department to specialise in the management of commercial projects. It managed 1.70 million sq m in 2011, providing property management services to landlords and tenants of eight international Grade A office towers and two mega urban complexes. China Overseas Property Management was honoured with numerous awards for its outstanding management services and excellent standards.

China Overseas Property Management organises multi-level training programmes for frontline staff, as it recognises well-trained staff are the key to providing courteous, high-quality services to residents and tenants. As well as the fundamentals of property management and training in professional skills, the company also offers programmes in areas such as property development, customer relations management, customer psychology and office etiquette, all designed to optimise the overall service quality to provide customer with professional and attentive property management services.

Continue to strengthen the security team

Premises Managed by the Group

million sq m



Customer Service and Relationships

Communications Ambassadors are assigned to respond to customers' needs and provide professional and attentive service

Customer Service and Relationships (continued)

CRM system was fully implemented

The Group strives to improve service standards

"China Overseas Property" is a leading brand name in the mainland China property sector. With "Creation of spectacular life" as the brand proposition, the core value of the brand is its concern for customers. The Group strives to improve its customer service standards. During the year, the Group's customer relationship management (CRM) system was fully implemented in 252 projects at 21 cities in China. The Group collect data on customer demand and complaints and share them with operational departments, the Group aims to convert customer complaints into opportunities to upgrade the quality of its products and services. The Group strives to improve the quality of its projects and to provide customers with a choice of highly differentiated and desirable products.

As part of ongoing improvements to the CRM system, the Group also introduced an iPad application that allows customers to log on and track the procedures for internal property inspection and property delivery and occupation, enabling them to play a part in inspecting the quality of the Group's products and services, contributing to the improvement of the quality of the product.

Moreover, the Group has shifted its property services forward to cover the home purchase stage by moving to a dedicated service model offering "7x24" round-the-clock availability. "Communications Ambassadors" are assigned to maintain unobstructed communications with buyers to ensure that feedback is properly addressed. The buyers are able to track the process of construction and progress in a timely manner, while the Group is able to respond to customers' needs and provide professional and attentive services.

Established to facilitate two-way communications between the Group and the market, China Overseas Property Club (COPC) currently has over 200,000 members and over 400 designated alliance vendors, and the numbers continue to grow steadily. Moreover, COPC offers numerous benefits to its members. In 2011, COPC headquarters and branches organised more than 200 community activities for their members. These included educational programmes, cultural activities, contests, financial management seminars, health seminars and leisure tours. China Overseas is committed to bolster up the communications with its members through the organisation of such different activities, demands and recommendations are collected from time to time to enhance the quality of the services.

Group Finance

Financial and Treasury Management Principles

The Group has consistently adhered to the principle of prudent financial and treasury management in pursuit of effective financial and treasury management. In terms of financial management, the financial department strives to apply appropriate accounting policies and prepare consolidated financial statements according to stipulated schedules to provide management with timely understanding of the Group's operating performance and financial condition. In terms of treasury management, the Group uses its best endeavours to centralise fund allocation by pooling its capital resources. Decisions on raising funding are made after taking into account the financial condition of the Group as well as cash generation and the requirements of future operations, subject to a reasonable level of borrowing (a gearing ratio of generally not higher than 40%).

Financial Performance and Conditions

Shareholders' interests always represent the top priority for the Group, which is dedicated to deliver value to shareholders. In 2011, the Group reported record-high sales and profit even though the mainland China property market was subject to extremely stringent regulatory policies. For the past five years, the Group have maintained an average annual return on shareholders' equity of over 21% and a CAGR of 44.7% for profit attributable to shareholders. The Group have also maintained an annual profit increment of not less than 20% for 9 consecutive years, fulfilling our commitment to shareholders.

To maintain its emphasis on financial strength, the Group has continuously strengthened its financial structure in recent years by increasing its shareholders' fund, which has resulted in greater capacity to raise future financing. Equity attributable to shareholders of the Company increased from HK$26.28 billion as at the end of 2007 to HK$70.31 billion as at the end of the year under review, significantly enhanced the financial strength of the Group.

After adjusting for the net current assets related to COGO, the Group's net current assets as at 31 December 2011 amounted to HK$60.05 billion, an increase of 11.4% compared with 2010, while the current ratio slightly decreased from 1.97 times for the previous year to 1.88 times. The Group added 9.06 million sq m to its land bank during the year for a consideration of HK$25.9 billion. This requirement to acquire land was driven by the strong sales in the mainland China property market. Even though effective treasury management was maintained, the Group's gearing ratio as at year-end inevitably rose to 33.3%. Given the tough market conditions, the ratio was still considered satisfactory. Mainly due to higher finance cost, interest cover (measured by the ratio of operating profit after deduction of interest income to total interest expenses) remained at 16 times for both 2010 and 2011.

Financing and Treasury Management

The Group attaches great importance to liquidity management. In addition to maintaining a reasonable level of cash (generally not less than 10% of total assets), we are also committed to effectively manage our debt portfolio. The Group adheres to the principle of maintaining loans of a long-term nature as the major part of our borrowings. As at the end of year 2011, only bank loans with an amount of HK$7.48 billion (comprising domestic yuan loans amounting to HK$2.68 billion) and guaranteed notes payable with an amount of HK$2.34 billion, accounting for 23% of our total borrowings, were due within one year. As the Group anticipates that the property market in mainland China will be subject to the ongoing impact of macro-control measures in varying degrees in the near future, while a number of the Group's larger property development projects in mainland China will take a rather long period to complete, it will be desirable, for the purpose of controlling cash flow risks, for the Group to increase the proportion of long-term debt with a view to gradually increase the proportion of long-term loans to over 50%. The yuan is expected to appreciate in value in the future, and domestic yuan loans are of shorter period and relatively more expensive. Hence, in the short term the Group will rely more on bank loans or debt financing outside Mainland China, while controlling the size of yuan loans at an appropriate level.

As a property developer with sound financial management, we should have a strong financial position with appropriate gearing and cash flow mainly coming from sales. The Group reported satisfactory sales during the year, generating cash inflow of over HK$51.2 billion. In addition, the Group raised HK$6.2 billion in May by way of a syndicated loan. All these provided sufficient fund to cover its operating expenses for the year, including land acquisition expenses of HK$27.88 billion, construction costs of HK$26.4 billion and tax expenses of HK$5.96 billion (LAT and income tax only). During the year, the Group also secured new loans in China amounting to 2.75 billion yuan, which was mainly applied for loan repayment.

While emphasizing the availability of standby funds and diversified financing sources, the Group also endeavours to lower borrowing costs. Although the Group's outstanding loan amount for the year under review remained largely unchanged as compared with the previous year, interest expenses increased by 23.4% to HK$1.47 billion mainly as a result of higher interest rates carried by long-term bonds and consistently high costs of yuan loans. The Group's borrowing cost has been among the lowest in the industry, with an average borrowing cost (annual interest expenses divided by average loan amount) of 3.4% for 2011.

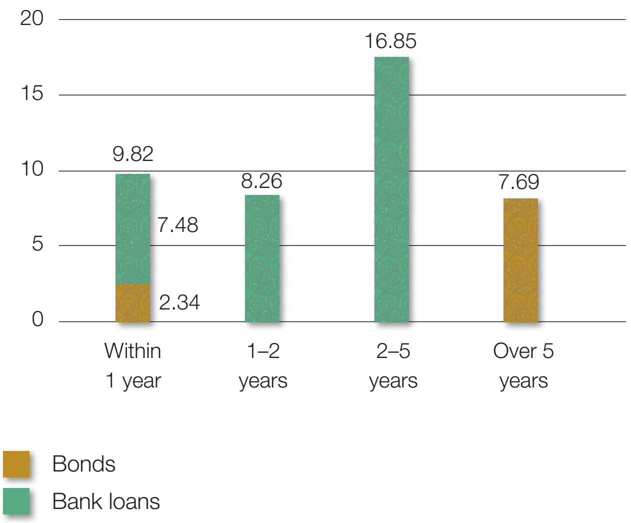
At 31 December 2011, the Group's bank loans and guaranteed notes payable amounted to HK$32.6 billion and HK$10.03 billion respectively, with repayment schedules as follows:

Repayment schedule	**2011** ***(HK$ million)***	2010 *(HK$ million)*
Bank loans		
Within one year	**7,482**	10,214
More than one year, but not exceeding two years	**8,262**	7,127
More than two years, but not exceeding five years	**16,852**	16,768
	32,596	34,109
Other loans, repayable more than two years, but not exceeding five years	**–**	411
Total bank and other loans	**32,596**	34,520
Guaranteed notes payable		
7-year (US$300 million due July 2012)	**2,338**	2,335
10-year (US$1 billion due November 2020)	**7,690**	7,683
Total borrowings	**42,624**	44,538
Deducting:		
Bank balances and cash	**19,197**	32,047
Net borrowings	**23,427**	12,491
Equity attributable to equity shareholders	**70,312**	54,735
Gearing ratio (%)	**33.3%**	22.8%

Group Finance (continued)

Debt Maturity Profile at 31 December 2011

HK$ billion



At 31 December 2011, the Group's bank balances and cash amounted to HK$19.2 billion (31 December 2010: HK$32.05 billion).

Analysis of the Group's debt and cash by currency:

	Bank loans and Guaranteed notes payable	**Bank balances and cash**
Hong Kong dollars	54.08%	9.12%
Chinese yuan	22.39%	88.74%
Macao patacas	—	0.01%
US dollars	23.53%	2.13%
Total	100%	100%

Fund Raising

As at 31 December 2011, the Group's available funds amounted to HK$23.3 billion, comprising bank balances and cash of approximately HK$19.2 billion and unutilised banking facilities of approximately HK$4.10 billion. The Group issued five-year bonds with a total value of US$750 million in two tranches during February 2012 and arranged a HK$1.5 billion bilateral loan to further enhance the Group's financial strength and provide solid support for the Group's expansion amid market consolidation. On the back of its consistently strong business performance, leading position among listed China property developers and sound reputation, the Group is well trusted and supported by domestic and overseas banks. The Group is currently working to re-finance approximately HK$4.8 billion loans due in 2012 in Hong Kong, and the re-financing arrangement is expected to be completed in April.

The Company is one of the few Hong Kong listed companies in the China property development sector for which Moody's and Standard & Poor's continued to affirm an investment grade rating, reflecting recognition of the Group's leading market position in China's property sector and its stable financial profile. The Group has maintained effective communication with the rating agencies over the past few years to provide investors with information of the Group's business approaches and financial conditions and to strive for their support. Our credit rating has enabled us to gain access to a diverse range of financing options both in China and abroad. Subsequent to the issue of 10-year US$1 billion long-term bonds in November 2010, the Group successfully issued US$750 million five-year bonds in two tranches with a coupon interest rate of 4.875% in February. The Group will continue to identify opportunities for bond issues in 2012 and in the future to further strengthen its debt structure.

Hedging Arrangements Against Exchange Rate Volatility

At 31 December 2011, 76.5% of the Group's borrowings were made at floating rates and 23.5% were made at fixed rates. The Group's major currency exposure is from HK dollar-denominated bank loans and US dollar-denominated guaranteed notes. As the trend of interest rates and the HK dollar-yuan and US dollar-yuan exchange rates may change, the Group will prudently consider appropriate timely currency-and interest-swap arrangements to hedge against such exposure.

Contingent Liabilities

At 31 December 2011, the Group provided guarantees to banks in respect of credit facilities granted to jointly controlled entities in the amount of HK$1.75 billion, of which HK$1.23 billion was utilized. The Group provided buy-back guarantees for the repayment of bank mortgage loans amounting to HK$6.52 billion by certain buyers of the Group's properties in line with usual business practice. The Company also provided guarantees in respect of guaranteed notes issued by certain subsidiaries amounting to HK$10.03 billion. The Group has never suffered any loss in the past as a result of granting such guarantees.

Directors and Organization

(From left to right) Mr. NIP Yun Wing, Mr. LUO Liang, Mr. XIAO Xiao, Mr. KONG Qingping, Mr. HAO Jian Min, Mr. DONG Daping, Mr. LIN Xiaofeng

Board of Directors

Executive Directors

Mr. KONG Qingping
Chairman,
Member of the Nomination Committee
Aged 56, holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture and a degree of Executive Master of Business Administration from Harbin Institute of Technology. Mr. Kong is a guest professor at both Harbin Institute of Technology and Hong Kong Polytechnic University and is a fellow member of the Chartered Institute of Building (UK). Mr. Kong joined China State Construction Engineering Corporation in 1982 and was seconded to Hong Kong in 1987. He became the Executive Director and General Manager of China Overseas (Hong Kong) Limited, then subsidiary of the Group, in 1997. Mr. Kong was appointed Vice Chairman and Chief Executive of the Company from 2001 and was appointed Chairman of the Company and continues to serve as Chief Executive of the Company from March 2005. In June 2007, Mr. Kong decided he would no longer concurrently act as Chief Executive of the Company. Besides acting as the Chairman and Member of the Nomination Committee of the Company,

Mr. Kong is currently the Chairman and Non-Executive Director of **China State Construction International Holdings Limited, and the Honorable Chairman (not a director) of **China Overseas Grand Oceans Group Limited. Mr. Kong is also the Vice President of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668), a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has more than 30 years' extensive experience in management of corporate affairs, construction projects and property development. Mr. Kong leads the Board and ensures that the Board, including the Board committees, operate effectively, resultant in improving the Company's Corporate Governance continually and makes the right decisions; also supervises the strategic and risk management as well as the corporate communication functions. In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. He is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed in January 2008 as a National Committee Member of the Chinese People's Political Consultative Conference and a Standing Committee Member of Chongqing Committee of Chinese Political Consultative Conference.

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

Mr. HAO Jian Min

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

Aged 47, holds a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined the Group in 1989. He was appointed director of a subsidiary of the Company in 2002 and certain others subsequently. Mr. Hao was appointed Executive Director of the Company in September 2005 and Vice Chairman of the Company in November 2006. In June 2007, he was appointed as Chief Executive Officer of the Company. Mr. Hao was the Chairman of the Remuneration Committee of the Company from 22 March 2007 to 1 February 2009 and is now a member of the Remuneration Committee. Besides acting as the Executive Director, Vice Chairman and Chief Executive Officer and member of the Remuneration Committee of the Company, Mr. Hao is currently the Chairman and Non-Executive Director of **China Overseas Grand Oceans Group Limited, a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has about 25 years' experience in construction and property business. Mr. Hao leads the management team and is responsible for the day-to-day operations of the Group.

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

Mr. XIAO Xiao

Vice Chairman & Senior Vice President

Aged 55, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the Group in 1990. He was appointed director of certain subsidiaries of the Company since 1994. Mr. Xiao was appointed Executive Director of the Company in February 2005, was appointed Vice Chairman of the Company in March 2007 and has been appointed the Senior Vice President of the Company in August 2009. Besides acting as the Executive Director, Vice Chairman and Senior Vice President of the Company, Mr. Xiao is currently a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has about 30 years' experience in construction and property business. Mr. Xiao manages the property development business in Hong Kong, Zhuhai and Macau, together with the internal audit functions.

Mr. DONG Daping

Vice President,

Member of the Nomination Committee

Aged 52, graduated from Heilongjiang University and holds a Master of Engineering Management degree from Harbin Institute of Technology, Senior economist. Mr. Dong joined China State Construction Engineering Corporation in 1983, joined the Group in 2001 and was appointed director and deputy general manager of a subsidiary of the Company in September 2002. Mr. Dong was appointed Executive Director and member of the Nomination Committee in August 2009 and the Vice President of the Company subsequently. Besides acting as the Executive Director, member of the Nomination Committee and Vice President of the Company, Mr. Dong is currently a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has about 29 years' management experience in corporate human resources and administration. Mr. Dong manages the human resources function.

Mr. NIP Yun Wing

Fellow of the Hong Kong Institute of Certified Public Accountants

Fellow of the Association of Chartered Certified Accountants

Chief Financial Officer

Aged 57, holds a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Nip joined the Company in March 2002 and was appointed executive director and deputy financial controller in June 2002. Mr. Nip resigned on 17 September 2004 to further his own objective. He joined China Overseas Holdings Limited on 1 August 2006 as the general manager of finance and treasury department and was seconded to the Company to look after finance and treasury matters of the Group. Mr. Nip was appointed Executive Director and the Chief Financial Officer of the Company in August 2009. Besides acting as the Executive Director and Chief Financial Officer of the Company, Mr. Nip is currently a director of certain subsidiaries of the Group. Mr. Nip has extensive experience in corporate finance, investment and management and had served as an executive director for several listed companies in Hong Kong. Mr. Nip manages the finance and treasury function in Hong Kong and Macau, and the company secretarial function. Mr. Nip is an independent non-executive director and a member of the Audit Committee of **Shenzhen International Holdings Limited.

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

Mr. LUO Liang

Vice President & Chief Architect

Aged 47, graduated from Huazhong Polytechnic University (now known as Huazhong University of Science and Technology), holder of master degree, professor level senior architect. He joined the Group in 1999. Mr. Luo has been appointed as Executive Director of the Company in March 2007 and has been appointed the Vice President of the Company in August 2009. Besides acting as the Executive Director, Vice President and Chief Architect of the Company, Mr. Luo is currently a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. Mr. Luo has about 23 years' architectural experience. Mr. Luo manages the marketing and design function of the property development business.

Mr. LIN Xiaofeng

Vice President

Aged 47, graduated from Peking Economics University (now known as Capital University of Economics and Business) and holds a Master of Business Administration degree from University of South Australia in Australia. Mr. Lin joined China State Construction Engineering Corporation in 1988, joined the Group in 1990 and was appointed director and financial controller of a subsidiary of the Company in 2003. Mr. Lin was appointed Executive Director of the Company in August 2009 and the Vice President of the Company subsequently. Besides acting as the Executive Director and Vice President of the Company, Mr. Lin is currently a director of China Overseas Holdings Limited, and also a director of certain subsidiaries of the Group. He has about 24 years' management experience in corporate finance and accounting. Mr. Lin manages the finance and treasury function in the Mainland and the informatization function.

Non-Executive Directors

Mr. WU Jianbin
Vice Chairman,
Non-Executive Director

Aged 49, graduated from Shanxi University of Finance and Economics (now known as School of Management, Xi'an Jiaotong University) and is an MBA and DBA graduate from the Macau University of Science and Technology. Mr. Wu joined China State Construction Engineering Corporation in 1984 and was seconded to the Group in 1987. He was appointed director and financial controller of China Overseas Holdings Limited in 2001 and appointed Executive Director and Financial Controller of the Company in 2002. He resigned as Financial Controller of the Company and was re-designated as Vice Chairman and Non-Executive Director of the Company in 2009. Besides acting as the Vice Chairman and Non-Executive Director of the Company, Mr. Wu is currently a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. Mr. Wu has about 28 years' management experience in corporate finance, accounting and investment. Mr. Wu provides guidance on the finance management matters and bridges the communication with the parent company.

Mr. ZHENG Xuexuan

Non-Executive Director

Aged 45, holds a bachelor degree in Industrial and Civil Architecture from Chongqing Institute of Architectural and Engineering (now known as Chongqing University), is a professor level senior architect. Mr. Zheng joined China State Construction Engineering Corporation in 1989 and was appointed as a director of China Overseas Holdings Limited on 17 October 2011. Mr. Zheng was appointed Non-Executive Director of the Company on 19 October 2011. Mr. Zheng is currently the General Manager of the Human Resources Department of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668). These companies are direct or indirect parent company of the Company. He has more than 22 years' extensive experience in construction, corporate management and human resources management. Mr. Zheng provides guidance on the human resources management matters and bridges the communication with the parent company.

Mr. CHEN Bin

Non-Executive Director

Aged 42, BEng. (Southeast University), MBA (Kellogg-HKUST), Senior Engineer. He joined China State Construction Engineering Corporation in 1993. Mr. Chen was seconded to the Group in 1997 and appointed a director of a subsidiary of the Company in 2001. Mr. Chen has been appointed Executive Director of the Company in November 2006 and has been appointed the Vice President of the Company in August 2009. He resigned as Vice President of the Company and was re-designated as Non-Executive Director of the Company on 10 August 2011. Besides acting as the Non-Executive Director of the Company, Mr. Chen is currently the Executive Director and Chief Executive Officer of **China Overseas Grand Oceans Group Limited, a director of China Overseas Holdings Limited, and also a director of certain subsidiaries of the Group. He has about 19 years' management experience in construction business and personnel administration. Mr. Chen has resigned as Non-Executive Director of the Company with effect from 16 March 2012.

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

Independent Non-Executive Directors

Dr. the Hon. David LI Kwok-po

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

Independent Non-Executive Director,
Chairman of the Audit Committee,
Member of the Remuneration Committee,
Member of the Nomination Committee

Aged 73, joined the board of directors as an independent non-executive director of the Company on 30 July 1992 and has served the Company for almost 20 years. Dr. Li is also the Chairman of the Audit Committee and a Member of both the Remuneration Committee and the Nomination Committee of the Company. He is the Chairman and Chief Executive of **The Bank of East Asia, Limited and he is also a director of many other companies including: AFFIN Holdings Berhad (listed on Bursa Malaysia Securities Berhad), **COSCO Pacific Limited, CaixaBank, S.A. (formerly known as Criteria CaixaCorp, S.A.) (listed on the stock exchange of Madrid, Barcelona, Bilbao and Valencia), **Guangdong Investment Limited, **The Hong Kong and China Gas Company Limited, **The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, **PCCW Limited, **San Miguel Brewery Hong Kong Limited, **SCMP Group Ltd. and **Vitasoy International Holdings Limited. He serves on the Federal Reserve Bank of New York's International Advisory Committee. He is a Member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association.

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

Mr. LAM Kwong Siu
SBS
Independent Non-Executive Director,
Member of the Audit Committee,
Member of the Remuneration Committee,
Member of the Nomination Committee

Aged 77, joined the board as an independent non-executive director of the Company on 30 September 2003 and has served the Company for about 8 years. Mr. Lam is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He was the Delegate of the Tenth National People's Congress. He is the Vice Chairman of BOC International Holdings Limited, the Honorary Chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the Honorary President of the Chinese Bankers Club of Hong Kong, and the Non-Executive Director of Bank of China International Limited. Mr. Lam is also an Independent Non-Executive Director of CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited), CITIC International Financial Holdings Limited (withdrawal of listing on 5 November 2008), **Fujian Holdings Limited, **Xinyi Glass Holdings Limited, **Yuzhou Properties Company Limited and **Far East Consortium International Limited. Mr. Lam has over 50 years' continuous banking and finance experience.

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

Dr. WONG Ying Ho, Kennedy
BBS, DCL, JP
Independent Non-Executive Director,
Chairman of the Remuneration Committee,
Member of the Audit Committee,
Member of the Nomination Committee

Aged 49, joined the board as an independent non-executive director of the Company on 5 January 2004 and has served the Company for more than 8 years. Dr. Wong is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 2 February 2009. He is a solicitor and China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He was appointed as a National Committee Member of the 11th Chinese People's Political Consultative Conference in January 2008. Dr. Wong is the chairman of **Hong Kong Resources Holdings Company Limited, a director and the deputy chairman of the audit committee of **Goldlion Holdings Limited, and also is a director of **Asia Cement (China) Holdings Corporation, Bohai Industrial Investment Fund Management Company Limited, Hong Kong Airlines Limited and **Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Ltd.). Dr. Wong was a director of **Great Wall Technology Company Limited, #Pacific Alliance China Land Limited, #Pacific Alliance Asia Opportunity Fund Limited and **Qin Jia Yuan Media Services Company Limited.

** *companies listed on The Stock Exchange of Hong Kong Limited*
# *companies listed on AIM Board, London Stock Exchange*

Dr. FAN Hsu Lai Tai, Rita

GBM, GBS, JP

Independent Non-Executive Director,
Chairman of the Nomination Committee,
Member of the Audit Committee,
Member of the Remuneration Committee

Aged 66, joined the board as an independent non-executive director of the Company on 2 February 2009. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit Committee and the Remuneration Committee of the Company. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

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

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

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

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

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

Senior Management

Mr. HU Ping

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

Aged 56, graduated from Beijing Normal University, engineer. He joined the Group in 1992. Mr. Hu has about 28 years' management experience in construction business.

Mr. ZHANG Yi

Vice President of China Overseas Land & Investment Ltd.

Director and Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 45, graduated from Tianjin University of Finance & Economics and Beijing Economics University (now known as Capital Business and Economics University) and Graduate Economics Training Center at the People's University of China, holder of master degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. He has about 18 years' management experience in public relation and investment strategy business.

Mr. QU Yonghai

Vice President of China Overseas Land & Investment Ltd.

Director and Deputy General Manager of China Overseas Property Group Co., Ltd.

General Manager of China Overseas Property Group Co., Ltd. (Hua Nan region)

Aged 41, graduated from Harbin Institute of Technology, senior engineer, is a MBA from Tsinghua University. He joined the Group in 1993, and is also a director of certain subsidiaries of the Group. Mr. Qu has about 19 years' experience in purchasing, investment, marketing, project development and business management.

Mr. QI Dapeng

Vice President of China Overseas Land & Investment Ltd.

Director and Deputy General Manager of China Overseas Property Group Co., Ltd.

General Manager of China Overseas Property Group Co., Ltd. (Hua Dong region)

Aged 41, graduated from Jilin University and Harbin Institute of Technology, holder of master degree, senior accountant. He joined the Group in 1997 and is also a director of certain subsidiaries of the Group. Mr. Qi has about 20 years' experience in finance and corporate management.

Mr. GUO Yong

Assistant President of China Overseas Land & Investment Ltd.

Director and Assistant General Manager of China Overseas Property Group Co., Ltd.

General Manager of China Overseas Property Group Co., Ltd. (Western region)

Aged 48, graduated from Chongqing University of Engineering and Architecture (now known as Chongqing University) and Troy State University, holder of master degree, senior engineer. He joined the Group in 1993 and is also a director of certain subsidiaries of the Group. Mr. Guo has about 28 years' management experience in construction business.

Mr. KAN Hongbo

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

Aged 48, graduated from Hefei University of Technology, holder of master degree, senior engineer. He joined the Group in 1995. Mr. Kan has about 22 years' management experience in Engineering management.

Ms. WANG Qi

Assistant President of China Overseas Land & Investment Ltd.
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
President of China Overseas Property Services Ltd.

Aged 46, graduated from Hefei University of Technology, senior engineer. She joined the Group in 1997. Ms. Wang has about 24 years' management experience in Architectural design, Engineering management and corporate management.

Mr. OUYANG Guoxin

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

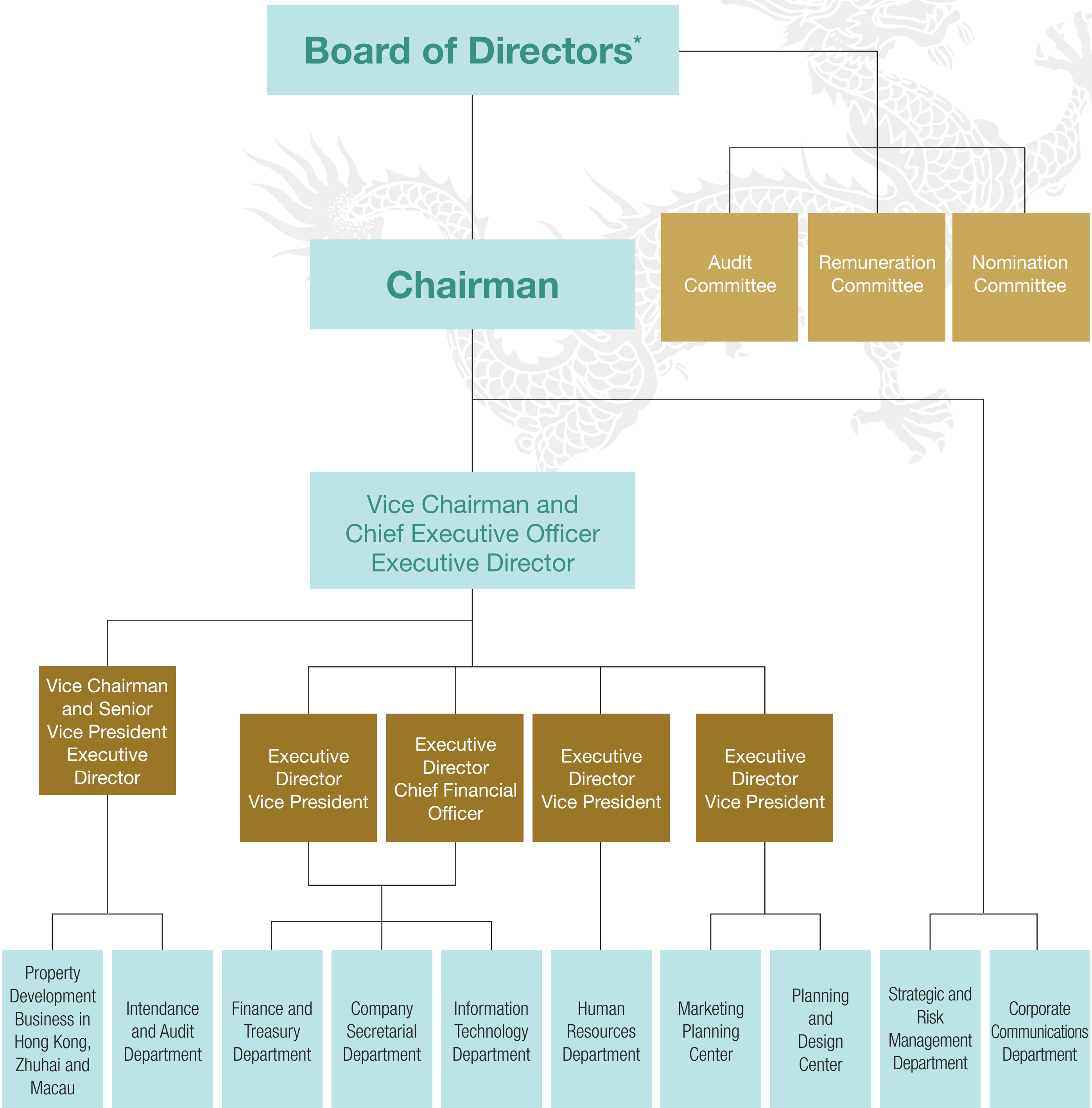
Aged 44, graduated from the Chongqing Normal University and is a Master of Corporate Management from Harbin University of Architecture and Engineering and a Doctor of Economics from Beijing University, senior economist. He joined the Group in 1997. He has about 21 years' experience in construction and corporate management.

Mr. ZHANG Guiqing

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

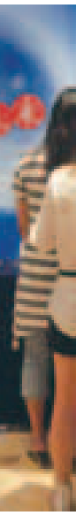
Aged 39, graduated from Shenyang Jianzhu University and is a Master of Philosophy in Architecture and Civil Engineering from Harbin Institute of Technology, senior engineer. He joined the Group in 1995. He has about 16 years' experience in construction, engineering and corporate management.

Organization Chart of China Overseas Land & Investment Limited

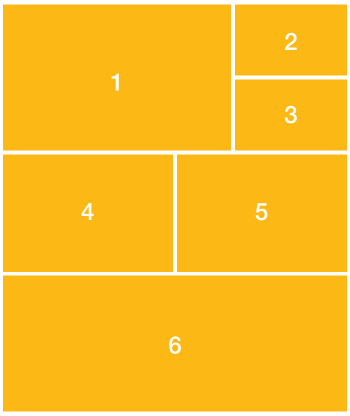


* As at 16 March 2012, the Board of Directors consists of seven executive directors, three non-executive directors and four independent non-executive directors. The executive directors are responsible for the daily operations of the Group.

Corporate Citizenship



Corporate Citizenship



1. Harmony & Integration Day — Visit to China Overseas Hope Schools 2011, in Sichuan Dujiangyan
2. Snap shot of Hope School students in class
3. Activity of "Sons of the Sea"
4. "Walk for the Environment 2011" organized by Conservancy Association
5. Cheers Mate! — China Overseas Summer Camp for Mainland and Hong Kong Youth 2011
6. "Community Chest Walks for a Million" event

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

The brand of "海無涯，愛無疆" ("The sea has no limit and love has no boundary") is now well established and the Group has in place medium-/long-term planning to meet its corporate social responsibilities and has highlighted the ongoing campaign of sponsoring and soliciting donations for the construction of China Overseas Hope Schools. To date, six Hope Schools have been built in impoverished areas of mainland China. As a property developer, the Group develops premium quality properties that emphasise environmental protection, energy conservation and sustainability of the natural environment. During the construction process, design, development and management of projects, the Group strives to apply "low-carbon construction" techniques that help to build a green community.

The Group's continuous efforts to fulfil its corporate social responsibilities have been recognised by the community, as it was awarded as "10th Anniversary of the Most Respected Companies of China" and "China Corporate Social Responsibility Outstanding Award". The Company is again a constituent company of the Hang Seng Corporate Sustainability Index Series. This reflects recognition of the Group's efforts in corporate sustainability including environmental protection, social responsibility and corporate governance.

Charitable Activity

Charitable Donations

Each year the Group organises a large team to join the "Community Chest Walks for a Million" event, the largest charity activity in Hong Kong. The local offices of China Overseas Property actively participated in local charity activities.

Educational Contributions

Social progress depends on an excellent learning environment and quality education for young people. Our Group is dedicated to the promotion of education for the continuing prosperity of society. To this end, the Group targets to fund one Hope School in mainland China every year. Following the previous provision of five Hope Schools, the China Overseas Qinglong Hope School, China Overseas Sanquan Hope School, China Overseas Xinhu Hope School, China Overseas Three Gorges Hope School and China Overseas special education school in Dujiangyan, the sixth Hope School, the China Overseas Shaling Hope School, sponsored by the Group was completed in September 2011. The China Overseas Shaling Hope School occupies a site area of approximately 40,000 sq m with teaching blocks of GFA of approximately 5,000 sq m. With a capacity for over 1,000 students, the school has currently 674 students and 38 teachers. Apart from financial contributions, the Group continues to actively promote communication between its customers, staff and business associates and the teachers and students in all the China Overseas Hope Schools. We believe that by showing care and concern to the students, they will grow up healthily and with a more positive relationship with the community. During the year, the Group organised the "Harmony & Integration Day — Visit to China Overseas Hope Schools 2011, in Sichuan Dujiangyan", "Cheers Mate! — China Overseas Summer Camp for Mainland and Hong Kong Youth 2011" and the "21st National Handicapped Day". The Group will continue to contribute towards education in the countryside and less developed areas in China so as to improve the educational environment in the territory for poor students and bring more hope to the children there.

Voluntary Work

The China Overseas charity team actively participates in various community services to help to build a more harmonious society in Hong Kong, displaying the Group's commitment to discharging its corporate social responsibility. For many years, the Volunteer Team of China Overseas Property Services Limited has been actively involved in various voluntary services, and has received a "Gold Award for Volunteer Service" from the Social Welfare Department of Hong Kong. The team has set itself the goal of caring for children and youngsters by encouraging staff to keep themselves informed about issues relating to rehabilitated children and youngsters and to show their care for this group. We are set to form a partnership with 「親切」, a non-profit institution. By organising fundraising carnivals, community promotions and educational activities, we hope to reach out to children and youngsters with varying potentials and backgrounds so as to better understand their needs.

Human Resources and Staff Development

Human Resources Strategy

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

Human Resources Management

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

Employees

At the end of 2011, the Group had a total of 15,822 staff, including 2,719 in the property business, 12,503 in property management, 600 in Hua Yi. By geographical location, 1,663 employees were working in Hong Kong and Macau and 14,159 employees were based in mainland China.

Staff Training and Development

The Group encourages and supports the pursuit of personal enhancement and life-long learning by its entire staff. The Group launched an internal e-learning platform "海無涯網路學院" in 2011 that was warmly welcomed and hence actively used by staff at all levels. A total of 1,127 trainings of various types were held throughout the year 2011 and each staff attended an average of 10 training courses in 2011. This allowed staff from all levels to share information and knowledge in the different areas of the Group, and to enhance their management and technical capacity. China Overseas EMBA and China Europe International Business School (CEIBS) jointly organised a "China Overseas EMBA — China Europe" leadership development course. The leadership development course consisted of 6 modules and started enrollment in November 2011. The leadership development training course has proven an important new path to training up new senior management for the Group, thus providing a solid human resource foundation for the Group's sustainable development.

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

After assiduous promotion in recent years, the "Sons of the Sea" and "Sea's Recruits" schemes have become recognised human resource brands in the mainland property industry. Staff recruited through these two schemes has steadily become an important element supporting the sustainable and stable development of the Group. In 2011, over 300 graduates from leading universities in China were recruited through the "Sons of the Sea" scheme and over 500 highly capable staffs were recruited through the "Sea's Recruits" scheme. Ample human resources were recruited and this had effectively resolved the staff shortage problem typically encountered by a rapidly developing organisation like China Overseas.

Environmental Protection

The Group adheres to its mission of protecting the natural environment, promoting reduced energy consumption and building a harmonious community. To this end, the Group includes environmental aspects such as a "low carbon footprint" and "green construction technology" in the design and construction of its property projects. The Group widely uses low-carbon and environment-friendly modern construction skills and techniques, materials and equipment in order to enhance energy utilization during construction and to build a healthy living environment for the residents. To promote staff awareness of the need to protect the environment, the Group launched a series of environmental protection activities including "Walk for the Environment organized by the Conservancy Association 2011". On estates managed by the Group's property management companies, the concept of environmental protection has become widespread.

Accolades & Awards 2011

(In alphabetical order)

10th Anniversary of the Most Respected Companies of China
China Overseas Land & Investment Ltd.
Peking University Case Research Center, The Economic Observer

2011 China Blue Chip Real Estate
China Overseas Land & Investment Ltd.
Economic Observer, Sina Leju

2011 China Civil Engineering Zhan Tianyou Award — Excellent Community Planning Award
The West Coast, Qingdao
Working Guidance Committee of Residential Construction of China Civil Engineering Society

2011 China Civil Engineering Zhan Tianyou Award — Resident Golden Award
The Rivieva, Hangzhou
Orchid Garden, Chengdu
Windsor Pavilion, Beijing
Le Temps De La Seine, Shenzhen
Working Guidance Committee of Residential Construction of China Civil Engineering Society

2011 China Civil Engineering Zhan Tianyou Award — Resident Outstanding Construction Award
International Community, Shenyang
Glorious City, Hohhot
Working Guidance Committee of Residential Construction of China Civil Engineering Society

2011 China Civil Engineering Zhan Tianyou Award — Resident Outstanding Technology Award
Blossom Riverine, Foshan
Working Guidance Committee of Residential Construction of China Civil Engineering Society

2011 China Corporate Social Responsibility Outstanding Award
China Overseas Property Group Company Limited
China Business News

2011 China Mainland Real Estate Company TOP 10 listed in Hong Kong: Overall Ranking
China Overseas Land & Investment Ltd.
China Real Estate TOP 10 Research Team

2011 China Top 100 Real Estate Developers: TOP 10 Developers of Comprehensive Strength
China Overseas Land & Investment Ltd.
China Real Estate TOP 10 Research Team

2011 Chinese Real Estate Industry G30
China Overseas Property
Guandian New Media

2011 Golden Bauhinia Awards — Best Management Team
China Overseas Land & Investment Ltd.
Ta Kung Pao

2011 International ARC Awards — Bronze Winner in Overall Annual Report: Property
China Overseas Land & Investment Ltd.
MerComm, Inc.

2011 International ARC Awards — Honors in Interior Design: Real Estate Development/Service: Residential Properties
China Overseas Land & Investment Ltd.
MerComm, Inc.

2011 International ARC Awards — Honors in Printing & Production: Property
China Overseas Land & Investment Ltd.
MerComm, Inc.

2011 Leading Brands of China Real Estate Companies
China Overseas Land & Investment Ltd.
China Real Estate TOP 10 Research Team

2011 Most Valuable Chinese Real Estate Enterprises Awards: Top 10 Hong Kong Enterprise
China Overseas Land & Investment Ltd.
China Business News

(In alphabetical order)

2011 The Excellence of Listed Enterprise Awards
China Overseas Land & Investment Ltd.
Capital Weekly

A constituent company of the Hang Seng Corporate Sustainability Index Series
China Overseas Land & Investment Ltd.
Hang Seng Indexes Company Limited

Asia's Best Companies 2010
China Overseas Land & Investment Ltd.
Finance Asia

Best 20 of China Real Estate Enterprises Brand Value 2011
China Overseas Land & Investment Ltd.
China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal Centre

China Construction Project Luban Award
China Overseas Building
China Construction Industry Association

China Real Estate Trustworthy Enterprise
China Overseas Land & Investment Ltd.
China Real Estate Association

Gold Award of 2010 Vision Awards, Annual Report Competition
China Overseas Land & Investment Ltd.
League of American Communications Professional

Hong Kong Outstanding Enterprises 2011
China Overseas Land & Investment Ltd.
Economic Digest

Top 10 Real Estate Project Brands in China 2011
La Cite (Brand Series), Hangzhou
State Council Development Research Center, Real Estate Institute of Tsinghua University, China Index Research Institute

Top 1,000 Chinese Enterprises in the Globe – Best Results Enterprise Award (Hong Kong)
China Overseas Land & Investment Ltd.
Yazhou Zhoukan

Top 20 Chinese Annual Reports 2010
China Overseas Land & Investment Ltd.
League of American Communications Professional

Investor Relations

2011 Interim Results Announcement

As the channel of the Group through which investor relations are fostered, the Corporate Communications Department has built a multi-dimensional platform for investor relations comprising the Company's website, e-mail system, telephone enquiries and personal communications. Group results and other business information are published on a regular basis or from time to time, while investors' enquiries are always answered in a timely manner. During the year, representatives of the Corporate Communications Department participated in more than 10 investor conferences organized by investment banks, received more than 200 visitors to the Company and arranged site visits to our property projects for over 200 groups comprising approximately 1,500 members from the investors' community. The Company's communication with investors has been enhanced as a result.

The Group also seeks innovations in the mode of communication. During the year, a live cast function was introduced to the traditional results presentation and analyst meeting, through which actions in such meetings were broadcast to investors worldwide on a real-time basis. The scope and effect of communication was significantly enhanced as a result. The Group will continue to maintain a high level of transparency as it provides high-quality, professional information and communication services for shareholders and investors.

The Group management attaches great importance to the outcome of communications with shareholders and investors. Through roadshows for results presentation and investors' meetings as well as feedback received by Corporate Communications Department, issues raised and suggestions given by investors are diligently attended to, with a view to improving the Group's governance standards and its ability to deliver value to shareholders.

Major Investor Relations Activities in 2011

Month	**Activities**
January	Deutsche Bank Access China Conference 2011
March	Announcement of 2010 annual results • Press conference • Briefing with analysts Post Results Roadshow in HK, Europe and US
April	BNP Paribas China Property Corporate Days DBSV HK Corporate Day Post Results Roadshow in Singapore
May	Macquarie Greater China Conference CLSA China Forum BOCI Investors Conference Mirae Asset Hong Kong/China Property Access Day
June	7th J.P. Morgan China Conference Daiwa Property Seminar 2011
July	Citi HK/China Conference 2011
August	Announcement of 2011 interim results • Press conference • Briefing with analysts Post Results Roadshow in HK and Singapore
September	18th CLSA Investors' Forum
October	BNP Paribas 18th Annual China Conference Citi Greater China Investor Conference 2011
November	BofAML New China Conference Jefferies Summit
December	Merill Lynch Greater China Property Corporate Day

Corporate Governance Report

(A) General

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

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

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

(B) Corporate Governance Practice

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

(C) The Board of Directors

C(a) Board Composition

The Board has 14 Directors, including 7 Executive Directors, 3 Non-Executive Directors and 4 Independent Non-Executive Directors, as follows:

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

- three Non-Executive Directors — Mr. Wu Jianbin (Vice Chairman), Mr. Zheng Xuexuan (appointed on 19 October 2011) and Mr. Chen Bin (re-designated from Executive Director on 10 August 2011); and

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

The Company has complied with the requirement of the Listing Rules that at least one of the Independent Non-Executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

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

The Directors' biographical details are set out on pages 64 to 74 of the report.

C(b) Confirmation of Independence

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

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

C(c) Responsibilities and Division of Work

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

The different duties and roles of the Chairman of the Board (the "**Chairman**") and the Chief Executive Officer have been clearly defined. The Chairman is responsible for providing leadership in the Board to set strategies and achieve the Group's goals and his duties include: overseeing and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; ensuring the availability of accurate, timely and clear information to induce effective contribution from the Board members; encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus; promoting a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors; monitoring the execution of the Board's resolutions; and maintaining effective communication with shareholders. The Chief Executive Officer, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementing the strategies laid down by the Board. The management performs their duties in managing the actual operations of businesses.

The functions of non-executive directors includes participating in board meetings of the Company to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; taking the lead where potential conflicts of interests arise; serving on the audit, remuneration, nomination and other governance committees, if invited; and scrutinising the Group's performance in achieving agreed corporate goals and objectives, and monitoring the performance reporting.

During the year, with the non-executive directors duly discharged their duties as mentioned above, the Board provided strategic guidance on the operation of the Company, reviewed and supervised the implementation of all lines of businesses.

C(d) Internal Control

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

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

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

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

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

C(e) Board Meetings and Committee Meetings

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

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

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

C(f) Appointment, Re-election and Removal

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

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

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

The directors of the Company 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:

(1) 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

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

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

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

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

(D) The Committees of the Board

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

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

D(a) Audit Committee

The Audit Committee is composed as follows:

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

* *Independent Non-Executive Director*

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

D(b) Remuneration Committee

The Remuneration Committee is composed as follows:

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

* *Independent Non-Executive Director*

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, determining the remuneration of all Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-Executive Directors. During the year, the Remuneration Committee has duly discharged the above duties.

D(c) Nomination Committee

The Nomination Committee is composed as follows:

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

* *Independent Non-Executive Director*

The Nomination Committee is mainly responsible for making recommendations to the Board on matters related to the appointment or re-appointment of Directors as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-Executive Directors. During the year, the Nomination Committee has duly discharged the above duties.

(E) Attendance at Board or Committee meetings during the year 2011

	Number of meetings attended/ Number of meetings held during the term of office			
Name	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Kong Qingping	4/4	N/A	N/A	3/3
Mr. Hao Jian Min	4/4	N/A	4/4	N/A
Mr. Xiao Xiao	4/4	N/A	N/A	N/A
Mr. Dong Daping	3/4	N/A	N/A	3/3
Mr. Nip Yun Wing	4/4	N/A	N/A	N/A
Mr. Luo Liang	2/4	N/A	N/A	N/A
Mr. Lin Xiaofeng	4/4	N/A	N/A	N/A
Non-executive Directors				
Mr. Wu Jianbin	3/4	N/A	N/A	N/A
Mr. Zheng Xuexuan (appointed on 19 October 2011)	0/0	N/A	N/A	N/A
Mr. Chen Bin (re-designated from Executive Director on 10 August 2011)	3/4	N/A	N/A	N/A
Independent Non-executive Directors				
Dr. Li Kwok Po, David	4/4	4/4	4/4	3/3
Mr. Lam Kwong Siu	4/4	4/4	4/4	3/3
Dr. Wong Ying Ho, Kennedy	3/4	3/4	3/4	2/3
Dr. Fan Hsu Lai Tai, Rita	4/4	4/4	4/4	3/3

(F) Model Code for Directors' Share Dealing

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Directors confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2011.

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

G(a) Potential Conflict of Interest Involving a Substantial Shareholder or a Director

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

Whenever a transaction is considered at a Board meeting, the Directors are required to declare their respective interests involved in the first Board Meeting where such transaction is being considered, and the interested Director shall absent from such meeting and abstain from voting when appropriate.

G(b) Directors' Responsibilities for the Financial Statements

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

G(c) Auditors' Remuneration

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

Deloitte Touche Tohmatsu was re-appointed as the external auditors with shareholders' approval at the last AGM. During the year, HK$7,400,000 paid to the external auditors by the Group for audit service and HK$85,000 for other services, including reports on the continuing connected transactions, compliance of financial undertakings and preliminary announcement. The Board will table a resolution at the 2012 AGM, proposing to appoint PricewaterhouseCoopers as the auditors for the ensuing year.

(H) Senior Management

There are 9 members of the Senior Management in the Company, their biographical details are set out on pages 75 and 76 of the report, and respective interests in shares of the Company as at 31 December 2011 are set out below:

Name of senior management	Number of shares held	Percentage of issued share capital#
Mr. Hu Ping	0	0.000%
Mr. Zhang Yi	1,095	0.000%
Mr. Qu Yonghai	0	0.000%
Mr. Qi Dapeng	0	0.000%
Mr. Guo Yong	550,000	0.007%
Mr. Kan Hongbo	696,800	0.008%
Ms. Wang Qi	0	0.000%
Mr. Ouyang Guoxin	0	0.000%
Mr. Zhang Guiqing	90,000	0.001%
Total	1,337,895	0.016%

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2011 (8,172,519,077 ordinary shares).

(I) Relations with Shareholders

I(a) Substantial Shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2011 are set out in the "Substantial Shareholders' Interests in Securities" section of "Report of Directors" of this report.

I(b) Annual General Meeting and Communication with Shareholders

The Company is keen to promote two-way communications both with its institutional investors and its private shareholders while the AGM provides a useful platform for shareholders to exchange views with the Board.

As such, the Company has made every endeavour to follow the "Guide on General Meetings" issued by the Stock Exchange in preparing for the meetings. An AGM circular containing Notice of AGM was distributed to all shareholders at least 20 clear business days prior to the AGM, setting out details of each proposed resolution and other relevant information as required by the Listing Rules. A Proxy Form offering two-way voting on all resolutions had been sent to all registered shareholders together with the Notice of General Meeting. For investors' convenience, the Notice of Meeting and the Proxy Form had been submitted to the HKExnews website for publication on the same date one immediately after another carrying the appropriate headline category required by the Listing Rules. Clear guidance to assist shareholders in completing the Proxy Form was stated therein. Directors are present at the AGM to answer any questions raised by shareholders. Directors were re-elected by means of a separate resolution in the AGM. A separate resolution was proposed in respect of other substantially separate issue. The voting on all resolutions was conducted by way of poll and such results were posted on the website of the Stock Exchange and the Company's website.

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

(J) Financial Calendar

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

Financial Information

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Group Financial Summary

Key Financial Information and Ratios

Financial Year	2007 *HK cents*	2008 *HK cents*	2009 *HK cents*	2010 *HK cents*	**2011** ***HK cents***
Earning per share	56.9	64.2	91.6	151.4	**183.9**
Dividends per share	12	13	20	27	**33**
— Interim dividend	5	6	7	10	**13**
— Final dividend	7	7	13	17	**20**
Equity attributable to equity holders per share	339.4	423.1	515.3	669.7	**860.3**
Net debt to shareholders' funds (%)	30.2	46.8	22.4	22.8	**33.3**
$\frac{\text{Net debt}}{\text{Shareholders' funds}}$					
Interest cover (times)					
$\frac{\text{Operating profit – Interest income}}{\text{Interest expenses}}$	12	7	16	16	**16**

Key Profit and Loss Items

For the year ended 31 December	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	**2011** ***HK$'000***
Turnover	16,632,553	18,892,373	37,321,630	44,313,014	**48,582,976**
Operating profit	7,303,082	8,764,462	12,259,248	18,913,841	**23,388,338**
Profit attributable to shareholders	4,179,579	5,048,637	7,468,928	12,373,151	**15,025,390**

Key Statement of Financial Positions Items

As at 31 December	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	**2011** ***HK$'000***
Fixed assets*	4,867,116	6,709,034	8,001,422	14,373,063	**18,103,007**
Long-term investments	2,660,587	2,130,890	2,760,515	11,557,227	**16,031,823**
Other non-current assets	3,186,905	4,857,092	10,097,248	10,422,815	**13,856,463**
Net current assets	30,174,160	41,943,667	40,463,396	64,496,939	**60,054,948**
Non-current liabilities	(15,098,666)	(22,756,295)	(19,512,950)	(42,907,903)	**(37,461,529)**
Net assets	25,790,102	32,884,388	41,809,631	57,942,141	**70,584,712**

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

Report of Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2011.

Principal Activities

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

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

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement and statement of comprehensive income on pages 115 and 116 respectively.

An interim dividend of HK13 cents per share was paid on 3 October 2011. The board of directors recommends the payment of a final dividend of HK20 cents per share (2010: HK17 cents per share) to shareholders whose names appear on the Register of Members of the Company on 5 June 2012. Together with the interim dividend of HK13 cents per share (2010: HK10 cents per share), dividends for the year will amount to a total of HK33 cents per share. The final dividend will be payable on 15 June 2012.

Share Premium and Reserves

Movements during the year in the share premium and reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 120 and note 36 to the financial statements respectively.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 223 and 224.

Major Properties

Details of the major properties and property interests of the Group at 31 December 2011 are set out on pages 225 to 228.

Tangible Fixed Assets

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of HK$3,020,016,000 which has been credited directly to the consolidated income statement.

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

Share Capital

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

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

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

Borrowings and Interest Capitalised

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

Interest capitalised by the Group during the year in respect of development properties amounted to approximately HK$883,257,000.

Directors

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

Executive Directors

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

Non-executive Directors

Mr. Wu Jianbin	*(Vice Chairman)*
Mr. Zheng Xuexuan	
Mr. Chen Bin	

Independent Non-executive Directors

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

In accordance with Article 105(A) and Article 96 of the Company's Articles of Association, Mr. Kong Qingping, Mr. Zheng Xuexuan, Mr. Nip Yun Wing, Mr. Luo Liang and Mr. Lam Kwong Siu shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

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

Information regarding directors' emoluments is set out in note 13 to the financial statements. With effect from 1 February 2012, the annual salary of Mr. Nip Yun Wing has been changed from HK$2,496,000 to HK$2,620,800. The annual salaries/ directors' fees of other directors remain unchanged.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Organization" on pages 64 to 76 of this Annual Report.

Information on Share Options of the Company

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

(1) Movement of share options during the year ended 31 December 2011:

		Number of underlying shares comprised in options				
Name	**Date of Grant**	**Outstanding at 01.01.2011**	**Adjustment/ Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding at 31.12.2011**
Director						
Mr. Kong Qingping	18.06.2004 (vi)	1,359,334	–	–	–	**1,359,334**
		1,359,334	**–**	**–**	**–**	**1,359,334**
	Sub-Total	**1,359,334**	**–**	**–**	**–**	**1,359,334**
Aggregate of other	24.10.2001 (v)	–	–	–	–	**–**
employees*	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 31 December 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 year ended 31 December 2011.

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

(3) During the year ended 31 December 2011, 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	Lapsed
(vi)	18.06.2004	18.06.2004–17.06.2009*	18.06.2005–17.06.2014	1.13 *(Adjusted to 1.118 w.e.f. 03.02.2009#)*	—

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

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

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

Directors' and Chief Executive's Interests in Securities

At 31 December 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	3,935,760	1,359,334	5,295,094	0.065%
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	2,119,372	0	2,119,372	0.026%
Mr. Chen Bin	1,371,971	0	1,371,971	0.017%
Mr. Dong Daping	534,353	0	534,353	0.007%
Mr. Luo Liang	750,080	0	750,080	0.009%
Mr. Lin Xiaofeng	1,271,825	0	1,271,825	0.016%
Dr. Li Kwok Po, David	10,000,000	0	10,000,000	0.122%

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

(all being personal interest and being held in the capacity of beneficial owner)
— China Overseas Grand Oceans Group Limited

Name of director	Number of shares held	Total	% of shares in issue *(Note 5)*
Mr. Hao Jian Min	3,300,000	3,300,000	0.217%
Mr. Wu Jianbin	540,000	540,000	0.035%
Mr. Luo Liang	70,000	70,000	0.005%

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 31 December 2011(i.e. 8,172,519,077 shares).*

3. *The exercise price for the share options is HK$0.99 per share (before share subdivision). Immediately after the share subdivision approved on 12 June 2008, the exercise price for the share options is HK$0.2475 per share. Immediately after the adjustment for the rights issue made on 1 September 2009, the exercise price for the share options is HK$0.2345 per share. Immediately after the adjustment for the rights issue made on 16 May 2011, the exercise price for the share options is HK$0.2254 per share. The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("**Limit**") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).*

4. *The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 31 December 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 31 December 2011 (i.e. 1,521,493,263 shares)*

Besides, Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin, Chen Bin, Dong Daping, Luo Liang, Lin Xiaofeng and Dr. Li Kwok Po, David held respectively 3,060,400; 1,713,780; 1,879,278; 4,228,150; 2,483,835; 1,658,447; 3,531,469; 737,528 and 120,200 shares in China State Construction International Holdings Limited ("CSCIHL"), associated corporation of the Company. Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin and Chen Bin also held respectively 3,288,848; 959,247; 959,247; 959,247 and 657,770 underlying shares comprised in Options (Note 3 above) in CSCIHL. All of the shares and underlying shares comprised in Options of CSCIHL held by the directors are being personal interest and being held in the capacity of beneficial owner.

The aggregate of shares and underlying shares comprised in Options of CSCIHL held by Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin, Chen Bin, Dong Daping, Luo Liang, Lin Xiaofeng and Dr. Li Kwok Po, David respectively are 6,349,248; 2,673,027; 2,838,525; 5,187,397; 3,141,605; 1,658,447; 3,531,469; 737,528 and 120,200, representing 0.177%, 0.075%, 0.079%, 0.145%, 0.088%, 0.046%, 0.098%, 0.021% and 0.003% of shares in issue of CSCIHL (particulars refer to Note 4 above).

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

Arrangements to Acquire Shares or Debentures

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

Directors' Interest in Competing Business

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

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

Substantial Shareholders' Interests in Securities

At 31 December 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**")	505,276,928	–	–	6.18%	–	–	Beneficial owner
China Overseas Holdings Limited ("**COHL**")	3,837,380,380	–	–	46.95%	–	–	Beneficial owner
	505,276,928 *(Note 2)*	245,197,740	–	6.18%	3.00%	–	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("**CSCECL**")	4,342,657,308 *(Note 3)*	245,197,740	–	53.14%	3.00%	–	Interest of controlled corporation
China State Construction Engineering Corporation ("**CSCEC**")	4,342,657,308 *(Note 3)*	245,197,740	–	53.14%	3.00%	–	Interest of controlled corporation
JP Morgan Chase & Co.	46,940,261	22,761,930	185,818,945	5.02%	0.28%	2.27%	Beneficial owner
	177,680,510	–	–				Investment manager
	185,818,945	–	–				Custodion corporation/ approved lending agent

Notes:

1. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 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 505,276,928 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 54.28%-owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in 4,342,657,308 Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2011.

Major Customers and Suppliers

For the financial year ended 31 December 2011, the five largest customers of the Group accounted for approximately 2% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 30% of the Group's total purchases and purchase from the largest supplier include therein amounted to approximately 10% for the year.

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

Connected, Continuing Connected and Related Party Transactions

Details of the connected, continuing connected and related party transactions are set out on pages 107 to 113. Save as the related party transactions disclosed in note 52 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately HK$54 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Public Float

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

Donations

During the year, the Group made charitable and other donations amounted to approximately HK$50,000.

Audit Committee

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 88 to 95.

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 31 December 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. 31 December 2011) is set out below:

	Combined balance sheet *HK$'000*	**Group's attributable interest** *HK$'000*
Non-current assets	11,150	6,306
Current assets	58,350,100	32,348,381
Current liabilities	(8,499,858)	(5,909,437)
	49,861,392	26,445,250
Share capital	11,768,250	7,260,422
Reserve	2,664,639	1,662,545
Amount due to shareholders	27,241,750	12,897,727
Non-current liabilities	8,186,753	4,624,556
	49,861,392	26,445,250

Auditor

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

Messrs. Deloitte Touche Tohmatsu will retire at the forthcoming Annual General Meeting and a resolution will be proposed thereat to appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

Kong Qingping
Chairman

Hong Kong, 15 March 2012

Connected, Continuing Connected and Related Party Transactions

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

"associate(s)", "connected person(s)", "subsidiary"	the terms "associate(s)", "connected person(s)" and "subsidiary" shall have the meanings as defined in the Listing Rules
"Board"	the board of Directors
"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, in over 50% of the issued share capital of the Company
"COLI" or "Company"	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688)
"COLI Group" or "Group"	the Company and its subsidiaries from time to time
"Connection Services Agreement"	the agreement between CSC and the Company dated 18 June 2010 in relation to the provision of connection services for heating pipes for Project(s)
"CSC Group Engagement Agreement"	the engagement agreement entered into between the Company and CSC on 2 April 2009 in respect of the engagement by the Group of the CSC Group as construction contractor for the Group in the PRC, Hong Kong and Macau, details of which are set out in the announcement jointly issued by the Company and CSC on 2 April 2009
"CSCEC"	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company and CSCIHL
"CSCECL"	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (the shares of which are listed on the Shanghai Stock Exchange on 29 July 2009) which holds the entire interest of COHL and is held as to 94% by CSCEC before 27 July 2009 , and above 52.64% thereafter
"CSCECL Group"	CSCECL and its subsidiaries (excluding the Company, CSC and their respective subsidiaries) from time to time
"CSCECL Group Engagement Agreement"	the engagement agreement entered into between the Company and CSCECL on 2 April 2009 in respect of the engagement by the Group of the CSCECL Group as construction contractor for the Group in the PRC
"CSCIHL" or "CSC"	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability on 25 March 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSCIHL Group" or "CSC Group"	CSCIHL and its subsidiaries
"Directors"	the directors of the Company

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Independent Shareholders"	the shareholders of the Company, other than CSCEC, CSCECL, COHL, CSCIHL and their respective associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macao Special Administrative Region of PRC
"Main Board"	the Main Board of the Stock Exchange
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Master Lease Agreement"	the agreement entered into by COLI and CSC on 2 April 2009 in respect of leasing of the properties, owned by the COLI Group, by the CSC Group from the COLI Group
"New Cap"	the maximum total contract sum of the construction contracts that may be awarded by the Group to the CSCECL Group for each year/period under the New CSCECL Group Engagement Agreement
"New CSCECL Group Engagement Agreement"	the new engagement agreement dated 30 March 2010 between the Company and CSCECL in respect of the engagement by the Group of the CSCECL Group as construction contractor for the Group in the Mainland China
"New Master Security Services Agreement"	the agreement entered into by COLI and CSC on 2 April 2009 in respect of the engagement of members of the COLI Group which hold the relevant licenses by the CSC Group for providing security services to the work sites of the CSC Group in Hong Kong
"Original Cap"	the maximum total contract sum of the construction contracts that may be awarded by the Group to the CSCECL Group under the CSCECL Group Engagement Agreement of RMB933.3 million for the period between 1 June 2009 and 31 December 2009, RMB1,600 million for each of the two years ending 31 December 2011 and RMB666.7 million for the period between 1 January 2012 and 31 May 2012
"PRC"	the People's Republic of China
"Project(s)"	real estate project(s), which is (are) located in Shenyang, developed by the Company
"RMB"	Renminbi, the lawful currency of PRC
"Shareholders"	the shareholders of the Company from time to time
"SHTCL"	瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermoelectricity Company Limited), a company incorporated in the PRC and is a wholly-owned subsidiary of CSC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

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

**(1) The following agreements were entered into with CSC on 2 April 2009 to replace those previous agreements in relation to continuing connected transactions which have been expired in year 2008 and 2009:

(a) CSC Group Engagement Agreement;

(b) Master Lease Agreement; and

(c) New Master Security Services Agreement.

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

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

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

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

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

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

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

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

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

During the year, the total contract sum awarded to the CSC Group under the CSC Group Engagement Agreement was HK$167.8 million (2010: HK$1,626.9 million) which did not exceed the cap of HK$2,000 million.

During the year, the rental paid by the CSC Group under the Master Lease Agreement was HK$10.4 million (2010: HK$10.4 million) which did not exceed the cap of HK$12 million.

During the year, the total contract sum awarded by the CSC Group to the Group under the New Master Security Services Agreement was HK$17.2 million (2010: HK$26 million) which did not exceed the cap of HK$30 million.

**(2) On 30 March 2010, the Company and CSCECL entered into the New CSCECL Group Engagement Agreement for a term of three years commencing from 1 July 2010 and ending on 30 June 2013 as it is expected that the Original Cap under the CSCECL Group Engagement Agreement, which was entered into by the Company and CSCECL on 2 April 2009, will not be sufficient for the Group's requirement. The New Cap will be as below:

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

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

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

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

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

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

During the year, the total contract sum awarded to the CSCECL Group under the New CSCECL Group Engagement Agreement was RMB1,748.5 million (2010: RMB2,188.6 million) which did not exceed the cap of RMB5,000 million.

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

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

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

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

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

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

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

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

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

During the year, the maximum contract sums awarded to CSC under the Connection Services Agreement was HK$25.3 million (2010: HK$72.5 million) which did not exceed the cap of HK$150 million.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 107 to 113 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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

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

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

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

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Overseas Land & Investment Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 115 to 222 which comprise the consolidated and the company statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover	7	**48,582,976**	44,313,014
Cost of sales		**(26,764,654)**	(25,714,441)
Direct operating expenses		**(1,146,106)**	(824,639)
		20,672,216	17,773,934
Other income and gains	9	**1,593,189**	1,031,104
Gain arising from changes in fair value of investment properties	16	**3,020,016**	1,989,004
Gain on transfer of completed properties to investment properties	16	**—**	26,571
Selling and distribution costs		**(661,516)**	(592,445)
Administrative expenses		**(1,235,567)**	(1,314,327)
Operating profit		**23,388,338**	18,913,841
Gain on bargain purchase	41(a)	**—**	905,718
Gain on deemed disposal of subsidiaries	42(b)	**45,628**	—
Gain on disposal of subsidiaries	43	**—**	601,085
Gain on disposal of a jointly controlled entity	44	**—**	272,918
Share of profits of			
Associates		**202,838**	17,750
Jointly controlled entities		**719,260**	317,196
Finance costs	10	**(590,763)**	(461,264)
Profit before tax		**23,765,301**	20,567,244
Income tax expense	11	**(8,645,823)**	(7,897,817)
Profit for the year	12	**15,119,478**	12,669,427
Attributable to:			
Owners of the Company		**15,025,390**	12,373,151
Non-controlling interests		**94,088**	296,276
		15,119,478	12,669,427
		HK$	*HK$*
EARNINGS PER SHARE	15		
Basic		**1.84**	1.51
Diluted		**1.84**	1.51

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**15,119,478**	12,669,427
Other comprehensive income		
Exchange differences arising on translation of the Company and subsidiaries	**2,228,713**	1,950,791
Exchange differences on translation of associates	**99,893**	—
Exchange differences on translation of jointly controlled entities	**693,298**	209,873
Change in fair value of investments in syndicated property project companies	**(91)**	1,896
Reclassification adjustment of other reserve upon realisation of assets	**—**	15,390
Other comprehensive income for the year	**3,021,813**	2,177,950
Total comprehensive income for the year	**18,141,291**	14,847,377
Total comprehensive income attributable to:		
Owners of the Company	**18,028,563**	14,475,140
Non-controlling interests	**112,728**	372,237
	18,141,291	14,847,377

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Investment properties	16	**17,765,372**	14,053,675
Property, plant and equipment	17	**337,635**	319,388
Prepaid lease payments for land	18	**68,591**	35,984
Interests in associates	20	**3,340,454**	210,497
Interests in jointly controlled entities	21	**12,668,593**	11,323,863
Investments in syndicated property project companies	22	**22,776**	22,867
Amounts due from associates	23	**88,793**	42,156
Amounts due from jointly controlled entities	23	**11,727,717**	8,981,367
Amounts due from syndicated property project companies	23	**—**	154
Other financial assets	25	**17,417**	23,726
Goodwill	45	**109,021**	109,021
Other intangible asset	46	**—**	39,870
Deferred tax assets	40	**1,844,924**	1,190,537
		47,991,293	36,353,105
Current Assets			
Inventories	26	**30,682**	4,154
Stock of properties	27	**94,801,075**	82,390,991
Land development expenditure	28	**2,670,856**	2,070,984
Prepaid lease payments for land	18	**2,096**	2,745
Trade and other receivables	29	**1,850,085**	2,874,544
Deposits and prepayments		**1,858,122**	2,771,797
Deposits for land use rights for properties held for sale		**6,027,677**	1,916,731
Amount due from a fellow subsidiary	44	**—**	845,000
Amount due from an associate	30	**51,743**	—
Amounts due from jointly controlled entities	30	**676,226**	529,926
Amounts due from non-controlling interests	30	**301,243**	110,386
Tax prepaid		**534,944**	354,544
Bank balances and cash	31	**19,179,381**	32,023,494
		127,984,130	125,895,296
Current Liabilities			
Trade and other payables	32	**16,378,354**	14,103,430
Pre-sales deposits		**24,480,225**	23,274,160
Rental and other deposits		**732,196**	712,335
Amount due to a fellow subsidiary	33	**353,428**	353,428
Amounts due to associates	33	**270,566**	258,703
Amounts due to jointly controlled entities	33	**3,214,042**	1,530,187
Tax liabilities		**12,680,089**	10,952,001
Borrowings — due within one year	37	**7,481,866**	10,214,113
Guaranteed notes payable	38	**2,338,416**	—
		67,929,182	61,398,357
Net Current Assets		**60,054,948**	64,496,939
		108,046,241	100,850,044

Consolidated Statement of Financial Position (continued)

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Capital and Reserves			
Share capital	35	**817,252**	817,252
Reserves		**69,494,445**	53,917,638
Equity attributable to owners of the Company		**70,311,697**	54,734,890
Non-controlling interests		**273,015**	3,207,251
Total Equity		**70,584,712**	57,942,141
Non-current Liabilities			
Borrowings — due after one year	37	**25,113,861**	24,305,704
Guaranteed notes payable	38	**7,689,578**	10,018,179
Amounts due to non-controlling interests	39	**1,055,226**	791,904
Derivative financial liability	42(a)	**—**	1,187,323
Deferred tax liabilities	40	**3,602,864**	6,604,793
		37,461,529	42,907,903
		108,046,241	100,850,044

The financial statements on pages 115 to 222 were approved and authorised for issue by the Board of Directors on 15 March 2012 and are signed on its behalf by:

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Company Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Property, plant and equipment	17	**1,072**	1,227
Prepaid lease payments for land	18	**—**	61
Investments in subsidiaries	19	**2,093,857**	1,974,667
Amounts due from subsidiaries	24	**7,475,813**	10,482,214
		9,570,742	12,458,169
Current Assets			
Stock of properties	27	**1,751**	1,751
Prepaid lease payments for land	18	**—**	62
Trade and other receivables	29	**8,468**	33,640
Deposits and prepayments		**8,456**	7,879
Amounts due from subsidiaries	24	**39,621,059**	37,492,741
Tax prepaid		**118**	118
Bank balances and cash	31	**1,616,927**	6,917,799
		41,256,779	44,453,990
Current Liabilities			
Trade and other payables	32	**44,220**	31,808
Other deposits		**173**	148
Amounts due to subsidiaries	34	**3,545,414**	1,866,461
Amount due to a jointly controlled entity	33	**203,144**	198,006
Tax liabilities		**18,643**	—
Borrowings — due within one year	37	**4,806,400**	5,897,500
Other financial liabilities	25	**38,226**	38,226
		8,656,220	8,032,149
Net Current Assets		**32,600,559**	36,421,841
		42,171,301	48,880,010
Capital and Reserves			
Share capital	35	**817,252**	817,252
Reserves	36	**22,918,796**	20,736,801
Total Equity		**23,736,048**	21,554,053
Non-current Liabilities			
Borrowings — due after one year	37	**18,243,255**	17,002,360
Amounts due to subsidiaries	34	**—**	10,131,599
Other financial liabilities	25	**191,998**	191,998
		18,435,253	27,325,957
		42,171,301	48,880,010

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note a)	PRC statutory reserve HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
THE GROUP													
At 1 January 2010	816,902	18,791,845	18,798	1,191	22,950	20,927	3,504,981	(15,390)	719,711	18,211,157	42,093,072	(283,441)	41,809,631
Profit for the year	–	–	–	–	–	–	–	–	–	12,373,151	12,373,151	296,276	12,669,427
Exchange differences arising on translation of the Company and subsidiaries	–	–	–	–	–	–	1,874,830	–	–	–	1,874,830	75,961	1,950,791
Exchange differences on translation of jointly controlled entities	–	–	–	–	–	–	209,873	–	–	–	209,873	–	209,873
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	1,896	–	–	–	–	1,896	–	1,896
Release of reserve upon realisation of assets	–	–	–	–	–	–	–	15,390	–	–	15,390	–	15,390
Total comprehensive income for the year	–	–	–	–	–	1,896	2,084,703	15,390	–	12,373,151	14,475,140	372,237	14,847,377
2009 final dividend paid	–	–	–	–	–	–	–	–	–	(1,062,393)	(1,062,393)	–	(1,062,393)
Issue of shares upon exercise of share options	350	4,227	–	(672)	–	–	–	–	–	–	3,905	–	3,905
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	57,302	57,302
2010 interim dividend paid	–	–	–	–	–	–	–	–	–	(817,205)	(817,205)	–	(817,205)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(132,898)	(132,898)
Release of exchange reserve upon disposal and partial disposal of subsidiaries	–	–	–	–	–	–	(337,396)	–	–	337,396	–	–	–
Acquisition of a subsidiary *(note 41(a))*	–	–	–	–	–	–	–	–	–	–	–	4,244,876	4,244,876
Acquisition of additional interests in subsidiaries *(note 41(a) and 42(a))*	–	–	–	–	–	–	–	–	–	217,186	217,186	(1,552,177)	(1,334,991)
Disposal of a subsidiary *(note 43(d))*	–	–	–	–	–	–	–	–	–	–	–	(1,135)	(1,135)
Partial disposal of interests in subsidiaries *(note 41(a) and 41(d))*	–	–	–	–	–	–	–	–	–	(174,815)	(174,815)	509,380	334,565
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(6,893)	(6,893)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	401,258	(401,258)	–	–	–
At 31 December 2010	817,252	18,796,072	18,798	519	22,950	22,823	5,252,288	–	1,120,969	28,683,219	54,734,890	3,207,251	57,942,141
Profit for the year	–	–	–	–	–	–	–	–	–	15,025,390	15,025,390	94,088	15,119,478
Exchange differences arising on translation of the Company and subsidiaries	–	–	–	–	–	–	2,210,073	–	–	–	2,210,073	18,640	2,228,713
Exchange differences on translation of jointly controlled entities	–	–	–	–	–	–	693,298	–	–	–	693,298	–	693,298
Exchange differences on translation of associates	–	–	–	–	–	–	99,893	–	–	–	99,893	–	99,893
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	(91)	–	–	–	–	(91)	–	(91)
Total comprehensive income for the year	–	–	–	–	–	(91)	3,003,264	–	–	15,025,390	18,028,563	112,728	18,141,291
2010 final dividend paid	–	–	–	–	–	–	–	–	–	(1,389,328)	(1,389,328)	–	(1,389,328)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	87,736	87,736
2011 interim dividend paid	–	–	–	–	–	–	–	–	–	(1,062,428)	(1,062,428)	–	(1,062,428)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(5,923)	(5,923)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(223,160)	–	–	223,160	–	–	–
Deemed disposal of subsidiaries *(note 42(b))*	–	–	–	–	–	–	(45,970)	–	–	45,970	–	(3,128,777)	(3,128,777)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	325,101	(325,101)	–	–	–
At 31 December 2011	**817,252**	**18,796,072**	**18,798**	**519**	**22,950**	**22,732**	**7,986,422**	**–**	**1,446,070**	**41,200,882**	**70,311,697**	**273,015**	**70,584,712**

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**23,765,301**	20,567,244
Adjustments for:			
Share of profits of associates		**(202,838)**	(17,750)
Share of profits of jointly controlled entities		**(719,260)**	(317,196)
Finance costs		**590,763**	461,264
Depreciation and amortisation		**43,598**	54,242
Interest income		**(566,879)**	(605,335)
Gain arising from changes in fair value of investment properties		**(3,020,016)**	(1,989,004)
Gain on transfer of completed properties to investment properties		**—**	(26,571)
Reversal on impairment loss on amount due from an associate		**(205,127)**	—
Gain on deemed disposal of subsidiaries		**(45,628)**	—
Gain on bargain purchase		**—**	(905,718)
Gain on disposal of subsidiaries		**—**	(601,085)
Gain on disposal of a jointly controlled entity		**—**	(272,918)
Gain on disposal of partial interest in a jointly controlled entity		**—**	(25,222)
(Gain) loss on disposal of property, plant and equipment		**(1,082)**	25,660
Operating cash flows before movements in working capital		**19,638,832**	16,347,611
Decrease in instalments receivable		**50**	1,914
(Increase) decrease in inventories		**(27,162)**	943
Increase in stock of properties		**(19,755,764)**	(12,490,253)
Increase in land development expenditure		**(497,179)**	(1,555,535)
Decrease (increase) in trade and other receivables, deposits and prepayments		**362,838**	(3,728,516)
Increase in deposits for land use rights		**(5,550,695)**	(2,126,942)
Increase in restricted bank balances		**(1,400,805)**	(64,782)
Increase in trade and other payables, pre-sales deposits, and rental and other deposits		**5,195,565**	4,954,022
Cash (used in) from operations		**(2,034,320)**	1,338,462
Income taxes paid		**(5,963,341)**	(3,889,406)
NET CASH USED IN OPERATING ACTIVITIES		**(7,997,661)**	(2,550,944)
INVESTING ACTIVITIES			
Interest received		**267,742**	234,873
Dividends from jointly controlled entities received		**—**	165,248
Decrease in pledged bank deposits		**6,259**	4,521
Purchase of property, plant and equipment		**(143,224)**	(155,873)
Purchase of prepaid lease payments		**(35,982)**	—
Additions of investment properties		**(1,421,935)**	(1,550,633)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	43	**—**	1,529,036
Disposal of a jointly controlled entity	44	**—**	818,613
Disposal of partial interest in a jointly controlled entity	43(a)	**—**	325,969
Advances to an associate		**(98,380)**	—
Repayment from associates		**205,127**	188,197
Advances to jointly controlled entities		**(2,788,908)**	(774,810)
Advances to non-controlling interests		**(196,782)**	(28,558)
Repayment from syndicated property project companies		**154**	282
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	41	**—**	(3,604,958)
Capital contributions to jointly controlled entities		**(30,836)**	(2,135,943)
Dividends received from associates		**38,455**	—
Repayment from a fellow subsidiary		**845,000**	—
Deemed disposal of subsidiaries	42(b)	**(2,161,555)**	—
Net proceeds on disposal of prepaid lease payments		**—**	14,977
Net proceeds on disposal of property, plant and equipment		**61,648**	57,549
Net proceeds on disposal of investment properties		**—**	5,013
NET CASH USED IN INVESTING ACTIVITIES		**(5,453,217)**	(4,906,497)

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(1,361,083)**	(1,117,054)
Other finance costs paid		**(34,314)**	(29,517)
Cash dividends paid		**(2,451,756)**	(1,879,598)
Dividends paid to non-controlling interests		**(5,923)**	(132,898)
Net proceeds from issue of shares		**–**	3,905
Disposal of partial interests in subsidiaries	*41(a) & (d)*	**–**	334,565
Acquisition of additional interest in a subsidiary	*41(a)*	**–**	(147,668)
New bank and other loans raised		**9,449,528**	18,531,595
Repayment of bank loans		**(8,694,378)**	(7,133,931)
Issue of guaranteed notes		**–**	7,681,805
Return of capital to non-controlling interests		**–**	(6,893)
Repayment to immediate holding company		**–**	(9,659,281)
Advance from a fellow subsidiary		**–**	102,136
(Repayment to) advance from an associate		**(965)**	48,797
Advances from jointly controlled entities		**1,608,212**	864,895
Advance from an intermediate holding company		**–**	8,027,282
Repayment to related companies		**–**	(797,922)
Contributions from non-controlling interests of subsidiaries		**44,947**	57,302
Advances from (repayment to) non-controlling interests of subsidiaries		**259,003**	(155,720)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,186,729)**	14,591,800
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(14,637,607)**	7,134,359
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**31,573,981**	23,781,456
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**905,104**	658,166
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*47*	**17,841,478**	31,573,981

1. General

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

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

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

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures, except for paragraphs 25 to 27 in respect of the partial exemption from disclosure requirements for government-related entities which have been adopted since the financial year ended 31 December 2009
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 *Effective for annual periods beginning on or after 1 July 2011*
2 *Effective for annual periods beginning on or after 1 January 2012*
3 *Effective for annual periods beginning on or after 1 July 2012*
4 *Effective for annual periods beginning on or after 1 January 2013*
5 *Effective for annual periods beginning on or after 1 January 2014*
6 *Effective for annual periods beginning on or after 1 January 2015*

Amendments to HKFRS 7 Disclosures "Transfers of Financial Assets"

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" and amendments to HKFRS 7 "Disclosures — Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

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

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" and amendments to HKFRS 7 "Disclosures — Offsetting Financial Assets and Financial Liabilities" *(continued)*

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The amendments have no material impact on the results and the financial position of the Group for the year ended 31 December 2011.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC)-Int 12 "Consolidation — Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK (SIC)-Int 13 "Jointly Controlled Entities — Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The Group is in the process of assessing and quantifying the potential financial impact on the application of HKFRS 11. The directors anticipate that the new and revised standards may result in more extensive disclosures in the consolidated financial statements.

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

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 "Deferred Tax — Recovery of Underlying Assets"

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The Group is in the process of quantifying the potential financial impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors anticipate that the application of the other new and revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of Consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests
Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

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

3. Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries *(continued)*
When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business Combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

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

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

3. Significant Accounting Policies *(continued)*

Business Combinations *(continued)*

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised Goodwill.

Investments in Subsidiaries

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

3. Significant Accounting Policies *(continued)*

Interests in Associates

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

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

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

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

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

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

The financial statements of associates are prepared using accounting policies in conformity with the accounting policies adopted by the Group.

3. Significant Accounting Policies *(continued)*

Joint Ventures

Jointly Controlled Entities

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

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

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

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

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

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

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

The financial statements of jointly controlled entities are prepared using accounting policies in conformity with the accounting policies adopted by the Group.

3. Significant Accounting Policies *(continued)*

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

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

Property, Plant and Equipment

Property, plant and equipment including land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated and the company statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Intangible assets acquired in a business combination

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

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

3. Significant Accounting Policies *(continued)*

Impairment losses on Tangible and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial Instruments

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

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

Financial Assets

The Group's financial assets are classified into loans and receivables, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Loans and receivables

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

Available-for-sale financial assets

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

Impairment of financial assets

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

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

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

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity Instruments *(continued)*

Derivative financial instruments

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

Financial Guarantee Contracts

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Inventories

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

Stock of Properties

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

Land Development Expenditure

Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of a piece of land in Beijing such as road construction, demolition and resettlement work, and other attributable expenses.

Borrowing Costs

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

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

Foreign Currencies

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

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

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

3. Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*

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

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

Leasing

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

Leasing *(continued)*

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

Retirement Benefit Costs

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

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant Accounting Policies *(continued)*

Share Options Granted to Employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received, determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

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

Revenue Recognition

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

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

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

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

Real Estate Agency, Management Services and Building Design Consultancy Services
Revenue from the provision of real estate agency, management services and building design consultancy services is recognised when services are provided.

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

3. Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

4. Key Sources of Estimation Uncertainty

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

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

Key sources of estimation uncertainty

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

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2011 at their fair values of approximately HK$17,765 million (2010: HK$14,054 million). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

(b) Impairment of Investments in Jointly Controlled Entities

Management assessed the recoverability of the Group's investments in jointly controlled entities undertaking property development projects in the PRC with an aggregate carrying amount of approximately HK$12,669 million (2010: HK$11,296 million) included in the consolidated statement of financial position at 31 December 2011.

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

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

Key sources of estimation uncertainty *(continued)*

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2011 is stock of properties with an aggregate carrying amount of approximately HK$94,801 million (2010: HK$82,391 million). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(d) Impairment of Amounts due from Jointly Controlled Entities

Included in the consolidated statement of financial position at 31 December 2011 is amounts due from jointly controlled entities with an aggregate carrying amount of approximately HK$12,404 million (2010: HK$9,511 million). In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows generated by these jointly controlled entities, which are based on the plan of pre-sale of the underlying stock of properties held by the respective jointly controlled entity. Where the future plan or future cash flow is different from the original estimate, a material impairment loss may arise.

(e) Land Appreciation Tax ("LAT")

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

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

5. Capital Risk Management

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

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

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

6. Financial Instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011 ***HK$'000***	2010 *HK$'000*	**2011** ***HK$'000***	2010 *HK$'000*
Financial assets				
Loans and receivables at amortised cost (including cash and cash equivalents)	**33,892,605**	45,430,753	**48,722,267**	54,926,394
Available-for-sale financial assets (investments in syndicated property project companies)	**22,776**	22,867	**—**	—
Financial liabilities				
Liabilities at amortised cost	**63,895,337**	61,575,648	**26,842,433**	35,127,734
Derivative financial instrument classified as held for trading	**—**	1,187,323	**—**	—
Financial guarantee contracts	**—**	—	**230,224**	230,224

6. Financial Instruments *(continued)*

b. Financial risk management objectives and policies

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

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

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

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

(i) Market risk

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank and other loans and amounts due from jointly controlled entities amounting to approximately HK$32,596 million (2010: HK$22,929 million) and approximately HK$722 million (2010: HK$931 million), respectively. The Company's cash flow interest rate risk relates to its variable-rate bank loans amounting to approximately HK$23,050 million (2010: HK$22,900 million). The variable-rate bank and other loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The Group's and the Company's cash flow interest rate risk are mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from their HK$ denominated borrowings. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate restricted bank deposits, bank loans, the guarantee notes payable, and amounts due to non-controlling interests, amounting to approximately HK$1,338 million (2010: HK$450 million), nil (2010: HK$11,591 million), approximately HK$10,028 million (2010: HK$10,018 million) and approximately HK$170 million (2010: nil), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rate amounts due from subsidiaries amounting to approximately HK$4,142 million (2010: HK$7,651 million). Management will also consider hedging significant interest rate exposure should the need arise.

6. Financial Instruments *(continued)*

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

(i) Market risk *(continued)*

Interest rate risk *(continued)*

Interest rate risk sensitivity analysis

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

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If interest rates had been 100 (2010: 100) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by HK$127,735,000 (2010: decrease/increase by HK$86,309,000) after capitalising of finance costs in properties under development of HK$190,979,000 (2010: HK$133,671,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans and amounts due from jointly controlled entities.

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

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If interest rates had been 100 (2010: 100) basis point higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2011 would decrease/increase by HK$230,497,000 (2010: decrease/increase by HK$228,999,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans.

Currency risk

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

6. Financial Instruments *(continued)*

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

(i) Market risk *(continued)*

Currency risk *(continued)*

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
HK$	**1,492,544**	3,861,935	**7,878,946**	21,024,830
United States dollars ("US$")	**7,571,902**	13,060,183	**343,109**	4,810,091
Liabilities				
HK$	**25,205,604**	24,592,010	**23,733,595**	24,352,705
US$	**10,355,130**	10,148,194	**203,144**	10,540,163

Currency risk sensitivity analysis

The Group and the Company mainly exposes to the currency of US$ and HK$. The following table details the Group's and the Company's sensitivity to a 5% (2010: 5%) increase and decrease in the RMB against US$ and HK$, respectively. 5% (2010: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2010: 5%) change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the currency of the lender or the borrower receivables or payables. A positive/negative number below indicates an increase/decrease in profit where RMB strengthens against US$ or HK$. For a 5% (2010: 5%) weakening of RMB against the US$ or HK$, there would be an equal and opposite impact on the profit.

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	2011	2010
	HK$'000	*HK$'000*
RMB against HK$		
Profit for the year	**1,185,653**	1,036,504
RMB against US$		
Profit for the year	**139,161**	(145,599)

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

6. Financial Instruments *(continued)*

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

(i) Market risk *(continued)*

Currency risk sensitivity analysis *(continued)*

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	2011	2010
	HK$'000	*HK$'000*
RMB against HK$		
Profit for the year	**792,732**	166,394
RMB against US$		
Profit for the year	**(6,998)**	286,504

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

(ii) Credit risk

As at 31 December 2011, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 50.

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

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

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

6. Financial Instruments *(continued)*

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

(ii) Credit risk *(continued)*

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

(iii) Liquidity risk

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

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2011, the Group has available unutilised loan facilities of approximately HK$4,096 million (2010: HK$5,422 million) as disclosed in note 37.

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

6. Financial Instruments *(continued)*

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

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables

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	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3-6 months *HK$'000*	6 months to 1 year *HK$'000*	1-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2011 *HK$'000*
2011								
Trade and other payables	–	8,609,752	3,226,223	3,386,251	1,151,021	5,107	16,378,354	16,378,354
Amount due to a fellow subsidiary	–	353,428	–	–	–	–	353,428	353,428
Amounts due to associates	–	270,566	–	–	–	–	270,566	270,566
Amounts due to jointly controlled entities	–	3,214,042	–	–	–	–	3,214,042	3,214,042
Amounts due to non-controlling interests	6.43	–	–	–	1,127,459	–	1,127,459	1,055,226
Borrowings – variable rate	2.70	2,606,736	1,815,787	3,812,190	25,731,888	–	33,966,601	32,595,727
Guaranteed notes payable	5.56	3,882	152,817	2,620,691	1,709,400	9,459,400	13,946,190	10,027,994
Financial guarantee contracts	–	6,520,891	–	–	–	–	6,520,891	–
		21,579,297	5,194,827	9,819,132	29,719,768	9,464,507	75,777,531	63,895,337

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

6. Financial Instruments *(continued)*

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

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables *(continued)*

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	Weighted average effective interest rate %	Repayable on demand or less than 3 months *HK$'000*	3–6 months *HK$'000*	6 months to 1 year *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2011 *HK$'000*
2011								
Trade and other payables	–	44,220	–	–	–	–	44,220	44,220
Amounts due to subsidiaries (current)	–	1,051,294	–	–	–	–	1,051,294	1,051,294
Amounts due to subsidiaries (current)	5.75	–	–	2,565,018	–	–	2,565,018	2,494,120
Amount due to a jointly controlled entity	–	203,144	–	–	–	–	203,144	203,144
Borrowings – variable rate	1.60	1,404,302	593,442	3,114,501	18,819,073	–	23,931,318	23,049,655
Financial guarantee contracts	–	578,512	1,603,552	100,000	7,020,347	7,776,800	17,079,211	230,224
		3,281,472	2,196,994	5,779,519	25,839,420	7,776,800	44,874,205	27,072,657

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

Bank loans with a repayable on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$800,000,000 and HK$800,000,000, respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within 3 to 6 months (2010: 1 to 5 year) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$801,784,548 (2010: HK$806,135,956).

6. Financial Instruments *(continued)*

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

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables *(continued)*

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

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

c. Fair value

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

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

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

- The fair value of derivative financial liability is determined using Monte-Carlo simulation model where the main assumptions are the expected volatility of the share price of China Overseas Grand Oceans Group Limited ("COGO"), probability of cash or equity settlement and the discount rate; and

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

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

Fair value measurements recognised in the statements of financial position

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

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

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

6. Financial Instruments *(continued)*

c. Fair value *(continued)*

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

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

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	2011			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Available-for-sale financial asset				
Investments in syndicated property project companies	**—**	**—**	**22,776**	**22,776**

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

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

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

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

6. Financial Instruments *(continued)*

c. Fair value *(continued)*

Fair value measurements recognised in the statements of financial position *(continued)*
Reconciliation of Level 3 fair value measurement of financial assets and liabilities

	Investments in syndicated property project companies *HK$'000*	**Derivative financial liability** *HK$'000*
At 1 January 2010	20,971	—
Change in fair value of investments in syndicated property project companies	1,896	—
Deferred consideration arising from acquisition of additional interest in a subsidiary	—	1,187,323
At 31 December 2010	22,867	1,187,323
Change in fair value of investments in syndicated property project companies	(91)	—
Deemed disposal of subsidiaries (note 42(b))	—	(1,187,323)
At 31 December 2011	**22,776**	**—**

Included in other comprehensive income is an amount of loss of HK$91,000 (2010: gain of HK$1,896,000) relating to investments in syndicated property project companies held at the end of the reporting period and is reported as changes of investment revaluation reserve.

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

7. Turnover

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

	2011	2010
	HK$'000	*HK$'000*
Proceeds from sales of properties	**46,764,304**	42,962,210
Property rentals	**359,148**	293,938
Revenue from real estate agency and management services	**1,043,743**	798,844
Other income *(Note)*	**415,781**	258,022
	48,582,976	44,313,014

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

8. Segment Information

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

Property development — proceeds from sale of properties

Property investment — property rentals

Other operations — revenue from real estate agency and management services and building design consultancy services

Note: During the year ended 31 December 2011, the analysis of the Group's share of revenue and results of jointly controlled entities by reportable segment are regularly provided to the management of the Group for the purpose of performance assessment and therefore, the segment information of the Group's share of revenue and results of jointly controlled entities for the year ended 31 December 2011 and 2010 are presented.

8. Segment Information *(continued)*

Segment revenue and results

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

Year ended 31 December 2011

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Segment total** *HK$'000*
Segment revenue — from external customers	**46,764,304**	**359,148**	**1,459,524**	**48,582,976**
Group's share of revenue of jointly controlled entities	**5,995,147**	**—**	**—**	**5,995,147**
Revenue of the Group and Group's share of revenue of jointly controlled entities	**52,759,451**	**359,148**	**1,459,524**	**54,578,123**
Segment profit	**20,024,723**	**3,331,571**	**185,722**	**23,542,016**
Group's share of profit of jointly controlled entities	**719,260**	**—**	**—**	**719,260**

Year ended 31 December 2010

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment revenue — from external customers	42,962,210	293,938	1,056,866	44,313,014
Group's share of revenue of jointly controlled entities	2,817,170	—	451,520	3,268,690
Revenue of the Group and Group's share of revenue of jointly controlled entities	45,779,380	293,938	1,508,386	47,581,704
Segment profit	16,696,530	2,283,090	170,231	19,149,851
Group's share of profit of jointly controlled entities	171,867	—	145,329	317,196

8. Segment Information *(continued)*

Segment revenue and results *(continued)*

Reconciliation of reportable segment profit to the consolidated profit before tax

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

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

	2011 **HK$'000**	2010 HK$'000
Reportable segment profit	**23,542,016**	19,149,851
Unallocated items:		
Interest income	**221,237**	140,656
Gain on deemed disposal of subsidiaries	**45,628**	—
Gain on disposal of subsidiaries	**—**	601,085
Gain on disposal of a jointly controlled entity	**—**	272,918
Gain on disposal of partial interest in a jointly controlled entity	**—**	25,222
Gain on bargain purchase	**—**	905,718
Corporate expenses	**(112,695)**	(244,217)
Finance costs	**(547,974)**	(417,343)
Net foreign exchange gains	**617,089**	133,354
Profit before tax	**23,765,301**	20,567,244

8. Segment Information *(continued)*

Segment assets and liabilities

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

At 31 December 2011

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Segment total** *HK$'000*
Segment assets	**138,249,292**	**17,881,589**	**665,161**	**156,796,042**
Segment liabilities	**(58,319,235)**	**(3,179,965)**	**(1,267,790)**	**(62,766,990)**

At 31 December 2010

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

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

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

	2011 *HK$'000*	2010 *HK$'000*
Reportable segment assets	**156,796,042**	130,224,907
Unallocated items:		
Bank balances and cash	**19,179,381**	32,023,494
Consolidated total assets	**175,975,423**	162,248,401
Reportable segment liabilities	**62,766,990**	59,768,264
Unallocated items:		
Borrowings	**32,595,727**	34,519,817
Guaranteed notes payable	**10,027,994**	10,018,179
Consolidated total liabilities	**105,390,711**	104,306,260

8. Segment Information *(continued)*

Other Segment information

Year ended 31 December 2011

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	77,094	1,422,491	101,556	1,601,141
Gain (loss) on disposal of property, plant and equipment	1,064	70	(52)	1,082
Depreciation and amortisation	20,617	5,258	17,723	43,598
Gain arising from changes in fair value of investment properties	—	3,020,016	—	3,020,016
Interest income on amounts due from jointly controlled entities	46,357	—	—	46,357
Imputed interest income on amounts due from associates	12,336	—	—	12,336
Imputed interest income on amounts due from jointly controlled entities	286,801	—	—	286,801
Share of profits of associates	202,838	—	—	202,838
Reversal of impairment loss upon recovery of amount due from an associate	205,127	—	—	205,127

8. Segment Information *(continued)*

Other Segment information *(continued)*

Year ended 31 December 2010

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	125,992	2,316,360	73,224	2,515,576
Loss on disposal of property, plant and equipment	29	—	25,631	25,660
Depreciation and amortisation	30,755	9,190	14,297	54,242
Gain arising from changes in fair value of investment properties	—	1,989,004	—	1,989,004
Gain on transfer of completed properties to investment properties	—	26,571	—	26,571
Interest income on amounts due from jointly controlled entities	94,028	—	—	94,028
Imputed interest income on amounts due from associates	12,336	—	—	12,336
Imputed interest income on amounts due from jointly controlled entities	358,315	—	—	358,315
Share of profits of associates	17,750	—	—	17,750

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

Revenue from major products and services

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

8. Segment Information *(continued)*

Information about geographical areas

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

	Turnover by geographical market		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hua Nan Region	**9,930,559**	13,087,823	**2,285,379**	1,918,599
Hua Dong Region	**10,436,826**	9,576,354	**753,106**	582,736
Hua Bei Region	**9,720,458**	6,172,788	**8,956,169**	8,465,977
Northern Region	**10,206,851**	5,159,151	**468,097**	456,197
Western Region	**6,943,721**	9,944,298	**2,268,045**	298,209
Hong Kong	**1,332,965**	331,945	**3,397,194**	2,691,182
Macau	**11,596**	40,655	**152,629**	145,038
	48,582,976	44,313,014	**18,280,619**	14,557,938

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

Information about major customers

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

9. Other Income and Gains

	2011 **HK$'000**	2010 HK$'000
Other income and gains include:		
Interest on bank deposits	**221,237**	140,567
Interest income on amounts due from jointly controlled entities	**46,357**	94,028
Imputed interest income on amounts due from		
— associates	**12,336**	12,336
— jointly controlled entities	**286,801**	358,315
Other interest income	**148**	89
Total interest income	**566,879**	605,335
Reversal of impairment loss upon recovery of amount due from an associate	**205,127**	—
Gain on disposal of partial interest in a jointly controlled entity *(note 43(a))*	**—**	25,222
Net foreign exchange gains	**617,089**	133,354

10. Finance Costs

	2011 **HK$'000**	2010 HK$'000
Interest on bank loans, overdrafts, guaranteed notes and other loans wholly repayable within five years	**962,635**	926,244
Interest on guaranteed notes not wholly repayable within five years	**434,282**	194,758
Imputed interest expense on amounts due to non-controlling interests	**42,789**	43,921
Other finance costs	**34,314**	29,517
Total finance costs	**1,474,020**	1,194,440
Less: Amount capitalised in properties under development	**(883,257)**	(733,176)
	590,763	461,264

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 2.03% (2010: 1.32%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**79,034**	2,807
Macau income tax	**1,238**	3,213
PRC Enterprise Income Tax ("EIT")	**4,181,480**	4,310,569
PRC withholding income tax	**217,893**	203,097
LAT	**3,884,324**	4,035,203
	8,363,969	8,554,889
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**2,877**	(559)
Macau income tax	**(2,458)**	—
EIT	**(7,445)**	(1,277)
LAT	**(30,041)**	(161,218)
	(37,067)	(163,054)
Deferred tax *(note 40)*		
Current year	**318,921**	(494,018)
Total	**8,645,823**	7,897,817

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for certain PRC subsidiaries of the Company which are taxed at concessionary rate 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.

Details of deferred tax are set out in note 40.

11. Income Tax Expense *(continued)*

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

	2011 **HK$'000**	2010 HK$'000
Profit before tax	**23,765,301**	20,567,244
Tax at the applicable tax rate of 25% (2010: 25%)	**5,941,325**	5,141,811
LAT	**3,884,324**	4,035,203
Tax effect of LAT	**(971,081)**	(933,181)
Tax effect of expenses not deductible for tax purpose	**66,534**	135,525
Tax effect of income not taxable for tax purpose	**(270,530)**	(566,265)
Overprovision in prior years	**(37,067)**	(163,054)
Tax effect of tax losses not recognised	**141,347**	59,210
Utilisation of tax losses previously not recognised	**(77,543)**	(6,618)
Tax effect of share of results of associates and jointly controlled entities	**(230,525)**	(83,737)
Tax effect of differential tax rate for revaluation of properties *(Note)*	**166,299**	249,092
Deferred tax on undistributed earnings of PRC subsidiaries and jointly controlled entities	**139,804**	57,688
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(52,747)**	(32,430)
Income tax at concessionary rates	**(15,280)**	(35,611)
Others	**(39,037)**	40,184
Income tax expense for the year	**8,645,823**	7,897,817

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

12. Profit for the Year

	2011 **HK$'000**	2010 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**7,400**	9,283
Depreciation of property, plant and equipment	**41,379**	47,530
Amortisation of prepaid lease payments for land	**2,219**	2,745
Amortisation of other intangible asset	**—**	3,967
Staff costs including directors' emoluments *(Note)*	**1,007,991**	859,906
Rental expenses in respect of land and buildings under operating leases	**36,736**	19,550
Share of tax of		
Associates	**245,223**	3,555
Jointly controlled entities	**685,171**	453,672
(Gain) loss on disposal of property, plant and equipment	**(1,082)**	25,660
Cost of stock of properties recognised as expenses	**26,764,419**	25,714,183
Cost of inventories recognised as expenses	**17,910**	14,016
Rental income in respect of investment properties under operating leases, net of outgoings of HK$33,707,000 (2010: HK$21,811,000)	**(325,441)**	(272,127)

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

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

The total cost recognised in profit or loss of approximately HK$54 million (2010: HK$51 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

13. Directors' Emoluments

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

	Year ended 31 December 2011				
	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	—	6,786	2,527	12	9,325
Dong Daping	—	1,167	4,711	—	5,878
Lin Xiaofeng	—	915	4,554	—	5,469
Nip Yun Wing	—	2,428	1,416	12	3,856
Hao Jian Min	132	3,296	4,521	12	7,961
Xiao Xiao	—	4,399	2,521	12	6,932
Wu Jianbin	538	—	—	—	538
Chen Bin	304	366	5,289	—	5,959
Luo Liang	—	1,253	6,024	—	7,277
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	360	—	—	—	360
Fan Hsu Lai Tai, Rita	360	—	—	—	360
Zheng Xuexuan	61	—	—	—	61
	2,365	20,610	31,563	48	54,586

	Year ended 31 December 2010				
	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	—	4,206	5,300	12	9,518
Dong Daping	—	1,052	4,253	—	5,305
Lin Xiaofeng	—	822	4,023	—	4,845
Nip Yun Wing	—	2,142	500	12	2,654
Hao Jian Min	844	3,801	5,348	12	10,005
Xiao Xiao	—	3,356	5,128	12	8,496
Wu Jianbin	125	2,537	4,375	12	7,049
Chen Bin	1,367	1,762	4,598	12	7,739
Luo Liang	—	1,134	5,575	—	6,709
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	360	—	—	—	360
Fan Hsu Lai Tai, Rita	360	—	—	—	360
	3,666	20,812	39,100	72	63,650

13. Directors' Emoluments *(continued)*

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

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

No directors waived any emoluments in both years ended 31 December 2011 and 31 December 2010.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2011 and 31 December 2010.

14. Dividends

	2011 ***HK$'000***	2010 *HK$'000*
Interim dividend paid in respect of financial year ended 31 December 2011 of HK13 cents (2010: financial year ended 31 December 2010 interim dividend of HK10 cents) per share	**1,062,428**	817,205
Final dividend paid in respect of financial year ended 31 December 2010 of HK17 cents (2010: financial year ended 31 December 2009 final dividend of HK13 cents) per share	**1,389,328**	1,062,393
	2,451,756	1,879,598

The final dividend of HK20 cents in respect of the financial year ended 31 December 2011 (2010: final dividend of HK17 cents in respect of the financial year ended 31 December 2010) per ordinary share, amounting to approximately HK$1,635 million (2010: HK$1,389 million) has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements.

15. Earnings Per Share

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**15,025,390**	12,373,151
Adjustment to the profit of the Group based on dilutive earnings per share of COGO	**–**	(8,460)
Earnings for the purpose of diluted earnings per share	**15,025,390**	12,364,691

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,172,519**	8,171,068
Effect of dilutive potential ordinary shares		
Share options	**2,602**	3,973
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,175,121**	8,175,041

16. Investment Properties

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
THE GROUP			
FAIR VALUE			
At 1 January 2010	7,747,599	—	7,747,599
Additions of land cost and construction costs	—	1,550,633	1,550,633
Reclassified from deposits for land use rights	—	447,595	447,595
Reclassified from properties under development *(note a)*	—	1,021,073	1,021,073
Transfer from completed properties *(note b)*	486,888	—	486,888
Transfer from property, plant and equipment *(note 17)*	3,682	—	3,682
Disposals	(5,013)	—	(5,013)
Acquisition of subsidiaries *(note 41(a))*	723,084	—	723,084
Disposal of subsidiaries *(note 43(b))*	(173,052)	—	(173,052)
Gain arising from changes in fair value of investment properties	1,028,354	960,650	1,989,004
Transfer upon completion	647,564	(647,564)	—
Exchange realignment	211,092	51,090	262,182
At 31 December 2010	10,670,198	3,383,477	14,053,675
Additions of land cost and construction costs	—	1,421,935	1,421,935
Transfer upon completion	1,339,583	(1,339,583)	—
Transfer to property, plant and equipment *(note 17)*	(5,200)	—	(5,200)
Deemed disposal of subsidiaries *(note 42(b))*	(1,309,549)	—	(1,309,549)
Gain arising from changes in fair value of investment properties	1,879,073	1,140,943	3,020,016
Exchange realignment	356,028	228,467	584,495
At 31 December 2011	**12,930,133**	**4,835,239**	**17,765,372**

Notes:

(a) *During the year ended 31 December 2010, properties under development for sale amounting to HK$1,021,073,000 had been reclassified to investment properties under construction and there was no significant difference between the fair value of the properties and their carrying values at the date of transfer.*

(b) *They were reclassified from completed properties due to the change in use of the properties evidenced by the commencement of operating leases. The gain on transfer of completed properties held for sale to investment properties amounted to HK$26,571,000 was recognised in profit or loss at the date of transfer.*

16. Investment Properties *(continued)*

An analysis of the investment properties of the Group at the end of reporting period is as follows:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Investment properties:		
In Hong Kong		
On long leases	**589,200**	471,900
On medium-term leases	**2,718,550**	2,128,400
In Macau		
On medium-term leases	**149,000**	145,000
In the PRC		
On medium-term leases	**14,308,622**	11,308,375
	17,765,372	14,053,675

The fair value of the investment properties, including both land and building elements held by the Group at 31 December 2011 has been arrived on the basis of a valuation carried out on that date by DTZ Dehenham Tie Leung Limited.

The fair value of the Group's investment properties (other than 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 valuers not connected with the Group, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

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 by making reference to comparable sales evidence as available in the relevant market. The construction cost expended and the estimated construction cost to complete the development as at the date of valuation are also taken into account.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. Property, Plant and Equipment

	Leasehold land in Hong Kong HK$'000	Leasehold land and buildings HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2010	8,025	197,093	36,937	215,293	457,348
Exchange adjustments	—	4,427	48	6,148	10,623
Additions	—	97,602	621	57,650	155,873
Acquisition of subsidiaries *(note 41(a))*	—	36,415	—	7,023	43,438
Transfer to investment properties *(note 16)*	(3,650)	(3,992)	—	—	(7,642)
Disposals	—	(76,325)	(3)	(20,646)	(96,974)
Disposal of subsidiaries *(note 43)*	—	—	(248)	(10,664)	(10,912)
At 31 December 2010	4,375	255,220	37,355	254,804	551,754
Exchange adjustments	—	8,275	636	9,827	18,738
Additions	—	7,567	23,739	111,918	143,224
Transfer from investment properties *(note 16)*	—	5,200	—	—	5,200
Disposals	—	(3,945)	(297)	(74,953)	(79,195)
Deemed disposal of subsidiaries *(note 42(b))*	—	(40,326)	—	(11,608)	(51,934)
At 31 December 2011	4,375	231,991	61,433	289,988	587,787
DEPRECIATION					
At 1 January 2010	2,702	31,606	36,318	132,899	203,525
Exchange adjustments	—	734	24	3,579	4,337
Provided for the year	83	14,460	324	32,663	47,530
Transfer to investment properties *(note 16)*	(1,478)	(2,482)	—	—	(3,960)
Eliminated on disposals	—	(3,835)	—	(9,930)	(13,765)
Eliminated on disposal of subsidiaries *(note 43)*	—	—	(76)	(5,225)	(5,301)
At 31 December 2010	1,307	40,483	36,590	153,986	232,366
Exchange adjustments	—	1,215	93	5,448	6,756
Provided for the year	82	11,729	2,558	27,010	41,379
Eliminated on disposals	—	(2,470)	(332)	(15,827)	(18,629)
Eliminated on deemed disposal of subsidiaries *(note 42(b))*	—	(5,818)	—	(5,902)	(11,720)
At 31 December 2011	1,389	45,139	38,909	164,715	250,152
CARRYING VALUES					
At 31 December 2011	**2,986**	**186,852**	**22,524**	**125,273**	**337,635**
At 31 December 2010	3,068	214,737	765	100,818	319,388

17. Property, Plant and Equipment *(continued)*

	Buildings HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Total HK$'000
THE COMPANY			
COST			
At 1 January 2010	950	24,210	25,160
Additions	—	713	713
Disposals	—	(14)	(14)
At 31 December 2010	950	24,909	25,859
Additions	—	329	329
Disposals	(950)	(964)	(1,914)
At 31 December 2011	—	24,274	24,274
DEPRECIATION			
At 1 January 2010	765	23,052	23,817
Provided for the year	62	766	828
Eliminated on disposals	—	(13)	(13)
At 31 December 2010	827	23,805	24,632
Provided for the year	123	326	449
Eliminated on disposals	(950)	(929)	(1,879)
At 31 December 2011	—	23,202	23,202
CARRYING VALUES			
At 31 December 2011	**—**	**1,072**	**1,072**
At 31 December 2010	123	1,104	1,227

17. Property, Plant and Equipment *(continued)*

An analysis of the carrying values of leasehold land and buildings are as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
In Hong Kong				
Long lease	**1,159**	214	**–**	–
Medium-term leases	**74,224**	76,967	**–**	–
In the PRC, other than in Hong Kong				
Medium-term leases	**114,455**	140,624	**–**	123
	189,838	217,805	**–**	123

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land in Hong Kong	Over the lease terms
Leasehold land and buildings*	Over the shorter of the term of the relevant lease or 25 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

* *The allocation of leasehold land and buildings cannot be made reliably.*

18. Prepaid Lease Payments for Land

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Land use rights in the PRC				
Medium-term leases	**70,687**	38,729	**–**	123
Analysed for reporting purposes as				
Non-current asset	**68,591**	35,984	**–**	61
Current asset	**2,096**	2,745	**–**	62
	70,687	38,729	**–**	123

19. Investments in Subsidiaries

	THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
Cost of investments, unlisted	**2,093,857**	1,974,667

Particulars of the principal subsidiaries are set out in note 54.

20. Interests in Associates

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Cost of investments		
Listed in Hong Kong	**2,853,348**	—
Unlisted	**97,131**	84,798
Share of post-acquisition profits and other comprehensive income, net of dividends received	**389,975**	125,699
	3,340,454	210,497
Market value of the listed associate	**3,922,392**	N/A

Included in the cost of investments is the fair value adjustment of HK$12,336,000 (2010: HK$12,147,000) recognised during the year in respect of the amounts due from associates which are non-current and interest-free.

20. Interests in Associates *(continued)*

Set out below are the particulars of the principal associates at 31 December 2011 and 2010 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of entity	Place of incorporation	Place of operation	Proportion of nominal value of issued ordinary capital/registered capital indirectly held 2011	2010	Principal activities
COGO*	Hong Kong	PRC	**37.9%**	—	Property development and investment and investment holding
Chest Gain Development Limited ("Chest Gain")#	Hong Kong	Hong Kong	**—**	30%	Property development
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	PRC	**40%**	40%	Property development and trading

* *COGO is listed in the Main Board of the Hong Kong Stock Exchange. As detailed in note 42, the Group's effective interest in COGO has been diluted from 50.1% to 37.9% in February 2011, resulting in the loss of control in COGO, which became an associate of the Company.*

\# *The Group's interest in Chest Gain with carrying amount of HK$3,000 was disposed in 2011 at a cash consideration of HK$126,000.*

The summarised financial information in respect of the Group's associates is set out below:

	2011 **HK$'000**	2010 HK$'000
Total assets	**26,110,724**	3,571,490
Total liabilities	**(17,457,797)**	(6,705,421)
Net assets (liabilities)	**8,652,927**	(3,133,931)
Group's share of net assets of the associates	**3,340,454**	210,497
Revenue	**5,190,763**	716,352
Profit for the year	**620,702**	286,099
Other comprehensive income	**258,574**	—
Group's share of profits and other comprehensive income of the associates for the year	**302,731**	17,750

20. Interests in Associates *(continued)*

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Unrecognised share of profits of associates for the year	**61**	156,430
Accumulated unrecognised share of losses of associates	**(2,917)**	(1,068,953)

As the accumulated unrecognised share of losses of those associates still exceeds the Group's interests in those associates, no share of profits has been recognised in the Group's consolidated income statement for current year.

21. Interests in Jointly Controlled Entities

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Cost of investments, unlisted	**10,725,736**	10,784,290
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,942,857**	539,573
	12,668,593	11,323,863

Included in the cost of investments is the fair value adjustment of HK$384,423,000 (2010: HK$286,801,000) recognised during the year in respect of the amounts due from jointly controlled entities which are non-current and interest free.

21. Interests in Jointly Controlled Entities *(continued)*

Set out below are the particulars of the principal jointly controlled entities at 31 December 2011 and 2010, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These jointly controlled entities are established and operating in the PRC, unless otherwise indicated.

	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group		
Name of entity	**2011**	2010	**Principal activities**
深圳中海信和地產開發有限公司	**50%**	50%	Property development
Big Profit Enterprises Limited **	**50%**	50%	Investment holding
上海中海海軒房地產有限公司	**50%**	50%	Property development
Elite Mind International Limited *	**60%^**	60%^	Investment Holding
重慶嘉江房地產開發有限公司	**60%^**	60%^	Property development
Speedy Champ Investments Limited *	**45%^**	45%^	Investment Holding
重慶豐盈房地產開發有限公司	**45%^**	45%^	Property development
寧波中海和協置業發展有限公司	**50%**	50%	Property development
杭州中海雅戈爾房地產有限公司	**50%**	50%	Property development
Kingtron Enterprises Limited *	**50%**	50%	Investment holding
海墅房地產開發(杭州)有限公司	**50%**	50%	Property development
Fast Right Investments Limited *	**50%**	50%	Investment holding
杭州世茂世盈房地產開發有限公司	**50%**	50%	Property development
Empire Land Investments Limited *	**50%**	50%	Investment holding
重慶嘉益房地產開發有限公司	**50%**	50%	Property development
山東中海華創地產有限公司	**60%^**	60%^	Property development
寧波茶亭置業有限公司	**35%^**	35%^	Property development
China Real Estate Development Capital Partners G.P. Ltd. ***	**50%**	50%	Inactive
China Real Estate Development Capital Partners, L.P. ***	**50%**	50%	Investment holding

21. Interests in Jointly Controlled Entities *(continued)*

Name of entity	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group 2011	2010	Principal activities
Harmony China Real Estate Fund, L.P. ***	**28%^**	28%^	Investment holding
Novel Wisdom Limited **	**53%^**	53%^	Investment holding
中海地產(瀋陽)有限公司	**77%^**	77%^	Property development
Ring Tide Limited **	**78%^**	78%^	Investment holding
中海地產(青島)投資開發有限公司	**78%^**	78%^	Property development
天津瀛超房地產開發有限公司	**50%**	50%	Property development
中海鼎業(西安)房地產有限公司	**78%^**	78%^	Property development
上海海創房地產有限公司	**50%**	50%	Property development
COLI ICBCI China Investment Management Limited *	**45%^**	45%^	Investment advisory
COLI ICBCI China Investment Management (Cayman Islands) Limited ***	**45%^**	45%^	Fund management
COLI ICBCI China Real Estate G.P. Limited ***	**50%**	50%	Fund management
COLI ICBCI China Real Estate S.L.P. Limited ***	**45%^**	45%^	Fund management
蘇州中海雅戈爾房地產有限公司	**51%^**	51%^	Property development
Rebound Capital Limited **	**50%**	—	Investment holding
冠泉企業有限公司 *	**50%**	—	Investment holding
冠泉置業(寧波)有限公司	**50%**	—	Property development
武漢榮業房地產有限公司	**50%**	—	Property development
桂林中海國富房地產開發有限公司	**–**	20%^	Investment holding
上海金鶴數碼科技發展有限公司	**–**	33%^	Property development
北京通惠房地產開發有限公司	**–**	22%^	Property development

21. Interests in Jointly Controlled Entities *(continued)*

* *Incorporated in Hong Kong*

** *Incorporated in the British Virgin Islands*

*** *Incorporated in the Cayman Islands*

^ *The Group exercises joint control over the financial and operating policies of these companies with other joint venture partners in accordance with joint venture agreements and/or the companies' Articles, and accordingly, these companies have been accounted for as jointly controlled entities.*

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2011 ***HK$'000***	2010 *HK$'000*
Current assets	**39,334,112**	31,181,692
Non-current assets	**973,868**	1,012,624
Current liabilities	**22,578,924**	6,344,735
Non-current liabilities	**5,234,796**	14,648,095
Income recognised in profit or loss	**6,046,181**	3,285,945
Expenses recognised in profit or loss	**5,378,877**	2,999,400

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of these jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP	
	2011 ***HK$'000***	2010 *HK$'000*
Unrecognised share of losses of jointly controlled entities for the year	**51,956**	30,651
Accumulated unrecognised share of losses of jointly controlled entities	**174,333**	122,377

22. Investments in Syndicated Property Project Companies

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Unlisted		
Available-for-sale equity investments, at fair value	**22,776**	22,867

The investments represent the Group's interests in the following syndicated property project companies which are carried at fair value at the end of the reporting period as estimated by the directors by reference to the fair value of the properties held by these companies.

The syndicated property project companies are incorporated and operating in Hong Kong unless otherwise indicated.

Name of entity	**Attributable equity interests held by the Group %**	**Principal activities**
Direct Profit Development Limited	8	Property development
Dramstar Company Limited	12	Property development
Moricrown Ltd. *	7	Property development
Victory World Limited	10	Property development

* *Incorporated in the British Virgin Islands*

23. Amounts due from Associates/Jointly Controlled Entities/Syndicated Property Project Companies

	THE GROUP					
	2011			2010		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from						
— associates	**86,338**	**2,455**	**88,793**	39,311	2,845	42,156
— jointly controlled entities	**11,005,882**	**721,835**	**11,727,717**	8,273,793	707,574	8,981,367
— syndicated property project companies	**—**	**—**	**—**	154	—	154

At 31 December 2011, the interest bearing amounts due from associates and jointly controlled entities bear variable interest rates ranging from 6.4% to 6.46% (2010: 5.94% to 6.97%) per annum. The interest-free balances due from associates, jointly controlled entities and syndicated property project companies are measured at amortised cost at effective interest rate ranging from 1.12% to 5.84% (2010: 0.80% to 5.40%) per annum.

23. Amounts due from Associates/Jointly Controlled Entities/Syndicated Property Project Companies *(continued)*

All the amounts due from associates, jointly controlled entities and syndicated property project companies are unsecured and not expected to be repaid within one year after the end of the reporting period.

At the end of the reporting period, the Group has the following amounts due from jointly controlled entities denominated in foreign currency of the relevant group entities:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Amounts due from jointly controlled entities denominated in:		
HK$	**63**	576,237
US$	**7,162,495**	3,612,540

24. Amounts due from Subsidiaries

	THE COMPANY					
	2011			2010		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The amounts comprise:						
Unsecured and due one year after the end of reporting period included in non-current assets	**3,333,610**	**4,142,203**	**7,475,813**	2,831,431	7,650,783	10,482,214
Unsecured and repayable on demand included in current assets	**39,621,059**	**–**	**39,621,059**	37,492,353	388	37,492,741

The interest bearing amounts due from subsidiaries carry fixed interest rates of 1.5% (2010: 1.1% to 5%) per annum. The non-interest bearing amounts are carried at amortised cost at effective interest rate of 5% (2010: 5%) per annum.

Included in the balance are amounts due from subsidiaries of HK$7,475,813,000 (2010: HK$10,482,214,000) expected not to be realised within twelve months from the end of the reporting period and are classified as non-current assets.

At the end of the reporting period, the Company has amounts due from subsidiaries of HK$6,596,660,000 (2010: HK$18,883,483,000) denominated in HK$, the foreign currency of the Company.

25. Other Financial Assets and Liabilities

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other Financial Assets				
Instalments receivable *(Note a)*	**71**	121	**—**	—
Pledged bank deposits *(Note b)*	**17,346**	23,605	**—**	—
Included in non-current assets	**17,417**	23,726	**—**	—
Other Financial Liabilities				
Financial guarantee contracts due *(Note c)*				
— within one year	**—**	—	**38,226**	38,226
— more than one year, but not exceeding two years	**—**	—	**29,359**	29,359
— more than two years, but not exceeding five years	**—**	—	**62,315**	62,315
— over five years	**—**	—	**100,324**	100,324
	—	—	**230,224**	230,224
Less: Amounts due within one year included in current liabilities	**—**	—	**(38,226)**	(38,226)
	—	—	**191,998**	191,998

Notes:

(a) *The instalments receivable are unsecured, carry interest at prime rate plus a specified margin and are not wholly repayable within five years.*

(b) *The pledged bank deposits represent deposits pledged to banks to secure the mortgage loans granted by banks to the home buyers. The deposits, which carry variable interest rate, ranging from 0.36% to 0.50% (2010: 0.3% to 3.0%) per annum will be released upon the settlement of the relevant bank loans.*

(c) *Details of the financial guarantee contracts are set out in note 50.*

26. Inventories

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Raw materials and consumables, at cost	**30,682**	4,154

27. Stock of Properties

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Completed properties	**16,663,165**	13,680,263	**1,751**	1,751
Properties under development *(note)*	**78,137,910**	68,710,728	**—**	—
Total stock of properties	**94,801,075**	82,390,991	**1,751**	1,751

Note: Included in the amount are properties under development for sale of HK$58,156,436,000 (2010: HK$40,859,316,000) expected not to be realised within twelve months from the end of the reporting period.

28. Land Development Expenditure

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Cost incurred	**2,670,856**	2,070,984

The Group, together with an independent third party, entered into an agreement ("Agreement") with the Beijing local government to jointly redevelop a piece of land in Beijing. The Group is responsible for the land development works, which included but is not limited to the removal of the existing buildings situated on the land, the relocation of the existing residents, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. It is expected that the land development will be completed and ready for public tenders or auction in 2012. Pursuant to the Agreement, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed return based on fixed percentage of the total costs incurred irrespective of whether the Group will obtain the land use rights of the land in the future. At 31 December 2011, the cost incurred for the land development is HK$2,670,856,000 (2010: HK$2,070,984,000).

29. Trade and other Receivables

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

Except for the proceeds from sales of properties and rental income from lease of properties which are receivable 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 at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivable, aged				
0–30 days	**774,224**	2,004,987	**—**	—
31–90 days	**289,919**	389,721	**—**	—
Over 90 days	**211,938**	162,779	**—**	—
	1,276,081	2,557,487	**—**	—
Other receivables	**574,004**	317,057	**8,468**	33,640
	1,850,085	2,874,544	**8,468**	33,640

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

The Group has minimal trade receivable balances which are past due at the end of reporting period.

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

30. Amounts due from an Associate/Jointly Controlled Entities/Non-Controlling Interests

The amounts due from an associate and non-controlling interests are unsecured, interest-free and repayable on demand.

At 31 December 2011, except for the unsecured amounts due from jointly controlled entities of approximately HK$12.5 million carrying interest at fixed rate of 6% per annum and will be repayable in June 2012, the remaining amounts due from jointly controlled entities are unsecured, interest-free and repayable on demand.

At 31 December 2010, except for the unsecured amounts due from jointly controlled entities of approximately HK$224 million carrying interest at variable rates ranging from 6.37% to 6.97% per annum and repayable on demand, the remaining amounts due from jointly controlled entities were unsecured, interest-free and repayable on demand.

31. Bank Balances and Cash

Included in bank balances and cash in the consolidated statement of financial position are restricted bank deposits of HK$1,337,903,000 (2010: HK$449,513,000) which can only be applied in the designated property development projects.

The Company has no restricted bank deposits at the end of the reporting period.

All bank deposits of the Group carry interest at market rates which range from 0.01% to 3.10% (2010: 0.05% to 4.15%) per annum.

As at the end of the reporting period, the Group and the Company have the following bank balances and cash denominated in foreign currencies of the relevant group entities:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash denominated in:				
HK$	**1,368,850**	2,361,693	**1,273,818**	2,107,708
US$	**409,407**	9,264,882	**343,109**	4,810,091

32. Trade and other Payables

The following is an aged analysis of trade and other payables presented based on invoice date at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables, aged				
0–30 days	**6,443,905**	6,366,823	**—**	—
31–90 days	**403,840**	427,196	**—**	—
Over 90 days	**4,911,637**	3,197,265	**—**	—
	11,759,382	9,991,284	**—**	—
Other payables	**2,255,612**	2,565,108	**44,220**	31,808
Retentions payable	**2,363,360**	1,547,038	**—**	—
	16,378,354	14,103,430	**44,220**	31,808

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

Of the retentions payable, an amount of approximately HK$1,156 million (2010: HK$784 million) is due beyond twelve months from the end of the reporting period.

33. Amounts Due to a Fellow Subsidiary/Associates/Jointly Controlled Entities

The amounts due to a fellow subsidiary, associates and jointly controlled entities of the Group and the Company are unsecured, interest-free and repayable on demand.

34. Amounts due to Subsidiaries

	THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
The amounts comprise:		
Non-interest bearing, unsecured and repayable on demand included in current liabilities	**1,051,294**	1,866,461
Interest bearing at 5.75% per annum, unsecured and repayable within one year included in current liabilities	**2,494,120**	—
	3,545,414	1,866,461
Interest bearing at 5.50% to 5.75% per annum, unsecured and due one year after the end of reporting period included in non-current liabilities	**—**	10,131,599

35. Share Capital

	THE COMPANY			
	2011		2010	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year	**8,172,519**	**817,252**	8,169,023	816,902
Issue of shares upon exercise of share options	**—**	**—**	3,496	350
At end of the year	**8,172,519**	**817,252**	8,172,519	817,252

All the new shares issued during the year ended 31 December 2010 rank pari passu in all respects with the then existing shares.

35. Share Capital *(continued)*

Issue of shares

During the year ended 31 December 2010, the Company issued 3,495,430 shares at HK$1.118 per share to employees upon exercise of the share options granted, giving a total cash consideration of approximately HK$3,908,000.

Share option scheme

The Company's share option scheme (the "**Scheme**") was adopted pursuant to an ordinary resolution passed on 18 July 2002. The Scheme shall be valid and effective for a period of 10 years and the purpose of which is to provide incentives to directors and eligible employees to contribute further to the Company. The board of directors is authorised to grant options under the Scheme to any full-time employee, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares that can be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the date of approval of the Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each participant must not, within any 12-month period, exceed 1% of the shares of the Company in issue. Any further grant of the options in excess of this 1% limit is subject to shareholders' approval. Each grant of options to any director or a substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates in the 12-month period, would result in the shares issued and to be issued upon exercise of all options representing over 0.1% of the Company's share capital in issue or having an aggregate value in excess of HK$5 million, such further grant of options must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK$1 per each grant of options payable as consideration on acceptance, which is recognised in the statement of comprehensive income when received. An option may be exercised at any time during a period of 9 years commencing on the expiry of one year after the offer date. The subscription price per share is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares on the date of offer; (ii) the average closing price of the shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

The fair value of share options granted is charged to profit or loss on a straight-line basis over the vesting period in accordance with HKFRS 2 "Share-based Payment".

35. Share Capital *(continued)*

Share option scheme *(continued)*

The following table discloses details of the Company's share options held by employees and movements in such holdings:

			Number of shares under options granted				
Date of grant	Exercisable period	Adjusted exercise price per share HK$ (Note)	Outstanding at 1 January 2011	Movements during the year Exercised	At 31 December 2011 Outstanding	At 31 December 2011 Exercisable	Closing price of shares at date of exercise HK$
18 June 2004	18 June 2005– 17 June 2014	1.118	2,815,763	–	2,815,763	2,815,763	N/A

			Number of shares under options granted				
Date of grant	Exercisable period	Adjusted exercise price per share HK$ (Note)	Outstanding at 1 January 2010	Movements during the year Exercised	At 31 December 2010 Outstanding	At 31 December 2010 Exercisable	Closing price of shares at date of exercise HK$
18 June 2004	18 June 2005– 17 June 2014	1.118	6,311,193	(3,495,430)	2,815,763	2,815,763	14.32 to 17.30

Note: Following the issue of shares pursuant to the open offer in 2009, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the supplementary guidance issued by the Hong Kong Stock Exchange on 5 September 2005.

Details of the share options held by the directors included in the above table are as follows:

	Number of shares under options granted		
	Outstanding at 1 January	Movements during the year Exercised	Outstanding at 31 December
2011	**1,359,334**	**–**	**1,359,334**
2010	3,495,431	(2,136,097)	1,359,334

35. Share Capital *(continued)*

Share option scheme *(continued)*

During the year ended 31 December 2004, 65,140,000 options were granted on 18 June 2004 by the Company at the exercise price of HK$1.13 per share. The vesting and exercisable periods regarding these options are as follows:

Number of options granted	Vesting period	Exercisable period
13,028,000	18 June 2004 to 17 June 2005	18 June 2005 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2006	18 June 2006 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2007	18 June 2007 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2008	18 June 2008 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2009	18 June 2009 to 17 June 2014

36. Distributable Reserves of the Company

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY						
At 1 January 2010	18,791,845	18,798	1,191	(13,700)	1,727,210	20,525,344
Profit and total comprehensive income for the year	—	—	—	(15,605)	2,103,105	2,087,500
2009 final dividend paid	—	—	—	—	(1,062,393)	(1,062,393)
Issue of shares upon exercise of share options	4,227	—	(672)	—	—	3,555
2010 interim dividend paid	—	—	—	—	(817,205)	(817,205)
At 31 December 2010	18,796,072	18,798	519	(29,305)	1,950,717	20,736,801
Profit and total comprehensive income for the year	—	—	—	1,242,849	3,390,902	4,633,751
2010 final dividend paid	—	—	—	—	(1,389,328)	(1,389,328)
2011 interim dividend paid	—	—	—	—	(1,062,428)	(1,062,428)
At 31 December 2011	**18,796,072**	**18,798**	**519**	**1,213,544**	**2,889,863**	**22,918,796**

The Company's reserves available for distribution to shareholders at 31 December 2011 represents the retained profits of approximately HK$2,890 million (2010: HK$1,951 million).

37. Borrowings

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans	**32,595,727**	34,108,497	**23,049,655**	22,899,860
Other loan	**—**	411,320	**—**	—
	32,595,727	34,519,817	**23,049,655**	22,899,860
Secured	**—**	444,226	**—**	—
Unsecured	**32,595,727**	34,075,591	**23,049,655**	22,899,860
	32,595,727	34,519,817	**23,049,655**	22,899,860

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The bank loans are repayable as follows:				
Within one year	**6,681,866**	9,414,113	**4,006,400**	5,097,500
More than one year, but not exceeding two years	**8,262,136**	7,127,132	**4,536,960**	4,006,400
More than two years, but not exceeding five years	**16,851,725**	16,767,252	**13,706,295**	12,995,960
	31,795,727	33,308,497	**22,249,655**	22,099,860
Carrying amount of unsecured bank loan that is repayable within one year and contains a repayable on demand clause	**800,000**	—	**800,000**	—
Carrying amount of bank loans that are repayable within two to five years from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	**—**	800,000	**—**	800,000
	32,595,727	34,108,497	**23,049,655**	22,899,860
Other loan repayable more than two years, but not exceeding five years	**—**	411,320	**—**	—
Total bank and other loans	**32,595,727**	34,519,817	**23,049,655**	22,899,860
Less: Amounts classified as current liabilities	**(7,481,866)**	(10,214,113)	**(4,806,400)**	(5,897,500)
Amounts classified as non-current liabilities	**25,113,861**	24,305,704	**18,243,255**	17,002,360

37. Borrowings *(continued)*

Borrowings of the Group with carrying amount of HK$9,546,072,000 (2010: HK$11,590,547,000) bears interest at a range from 4.37% to 7.04% (2010: 4.37% to 6.53%) per annum and are denominated in Renminbi. The remaining borrowings amounting to HK$23,049,655,000 (2010: HK$22,929,270,000), which are denominated in Hong Kong dollars, is based on HIBOR plus a specified margin. The effective interest rate is 1.60% (2010: 1.11%) per annum.

Other loan of the Group as at 31 December 2010 represented a loan of COGO obtained from a financial institution in the PRC, which was arranged at the floating rate of 5.85% per annum and repayable in 2013.

Included in the outstanding bank loan of the Group at 31 December 2011 are the following principal bank loans:

(a) a loan of HK$3,500 million granted on 23 August 2007, repayment of which will commence on 23 August 2011 to 23 August 2012. The loan is unsecured and carries interest at HIBOR plus 0.32%. The effective interest rate is 0.66% (2010: 0.55%) per annum.

(b) a loan of HK$3,438 million granted on 28 May 2008, repayment of which will commence on 28 May 2012 until 28 May 2013. The loan is unsecured and carries interest at HIBOR plus 0.90%. The effective interest rate is 1.24% (2010: 1.13%) per annum.

(c) a loan of HK$8,000 million granted on 5 February 2010, repayment of which will commence on 5 August 2013 until 5 February 2015. The loan is unsecured and carries interest at HIBOR plus 1.13%. The effective interest rate is 1.47% (2010: 1.36%) per annum.

(d) a loan of HK$6,200 million granted on 29 September 2011, in which HK$4,736 million is drawn down on 31 December 2011 and repayment of which will commence on 30 November 2014 until 31 May 2016. The loan is unsecured and carries interest at HIBOR plus 1.6%. The effective interest rate is 1.94% per annum.

These principal bank loans shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the loan agreements which include, inter alia, the compliance of certain undertakings given by the Group.

As at the end of the reporting period, the Group and the Company have the following bank loans denominated in foreign currencies:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans denominated in HK$	**23,049,655**	22,929,270	**23,049,655**	22,899,860

At 31 December 2011, the Group had available approximately HK$4,096 million (2010: HK$5,422 million) of undrawn borrowing facilities in respect of which all conditions precedent had been met.

38. Guaranteed Notes Payable

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Guaranteed notes payable issued in 2005, listed in Hong Kong *(note a)*	**2,338,416**	2,335,421
Guaranteed notes payable issued in 2010, listed in Hong Kong *(note b)*	**7,689,578**	7,682,758
	10,027,994	10,018,179
Less: Amount classified as current liabilities	**(2,338,416)**	—
Amounts classified as non-current liabilities	**7,689,578**	10,018,179

Notes:

(a) *In 2005, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$300 million equivalent to approximately HK$2,340 million (the "2005 Notes") at the issue price of 99.404%. The 2005 Notes, which bear fixed interest at the rate of 5.75% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2005 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2005 Notes will mature on 13 July 2012 at the principal amount. The fair value of the 2005 Notes at 31 December 2011 was estimated at approximately HK$2,377 million (2010: HK$2,445 million), which was determined based on the closing market price of the 2005 Notes at that date.*

(b) *In November 2010, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$1,000 million equivalent to approximately HK$7,760 million (the "2010 Notes") at the issue price of 100%. The 2010 Notes, which bear fixed interest at the rate of 5.50% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2010 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2010 Notes will mature on 10 November 2020 at the principal amount. The fair value of the 2010 Notes at 31 December 2011 was estimated at approximately HK$7,443 million (2010: HK$7,652 million), which was determined based on the closing market price of the 2010 Notes at that date.*

39. Amounts due to Non-Controlling Interests

At 31 December 2011, included in the balances of the Group is HK$170,291,000 (2010: nil) carrying interest at fixed rate of 8.645% (2010: nil) per annum. The remaining balances of HK$884,935,000 (2010: HK$791,904,000) are interest-free and carried at amortised cost at average effective interest rate of 6% (2010: 6%) per annum. The principal amount of the remaining balances is approximately HK$927,724,000 (2010: HK$834,693,000). All the amounts due to non-controlling interests are unsecured and repayment will not be demanded within one year from the end of the reporting period.

40. Deferred Tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

Deferred tax liabilities (assets)

	THE GROUP						
	Accelerated tax depreciation	Revaluation of properties	Fair value adjustment on properties	Undistributed earnings of PRC subsidiaries and jointly controlled entities	Provision for LAT	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	37,050	1,330,681	–	578,298	(650,791)	44,315	1,339,553
Charge (credit) to profit or loss	4,992	918,736	(728,289)	(145,409)	(539,746)	(4,302)	(494,018)
Acquisition of subsidiaries	–	175,639	4,474,500	–	–	(3,522)	4,646,617
Disposal of subsidiaries	–	(21,573)	(103,578)	–	–	–	(125,151)
Exchange adjustment	–	47,255	–	–	–	–	47,255
At 31 December 2010	42,042	2,450,738	3,642,633	432,889	(1,190,537)	36,491	5,414,256
Charge (credit) to profit or loss	4,013	1,010,637	–	(78,090)	(589,959)	(27,680)	318,921
Deemed disposal of subsidiaries *(note 42(b))*	(3,026)	(381,252)	(3,642,633)	–	–	1,084	(4,025,827)
Exchange adjustment	–	107,446	–	7,572	(64,428)	–	50,590
At 31 December 2011	**43,029**	**3,187,569**	**–**	**362,371**	**(1,844,924)**	**9,895**	**1,757,940**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Deferred tax assets	**1,844,924**	1,190,537
Deferred tax liabilities	**(3,602,864)**	(6,604,793)
	(1,757,940)	(5,414,256)

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$593 million (2010: HK$465 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

40. Deferred Tax *(continued)*

Deferred tax liabilities (assets) *(continued)*

At the end of the reporting period, the Group had unused tax losses of approximately HK$6,544 million (2010: HK$6,330 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$646 million (2010: HK$363 million) that will expire within five years from the end of the reporting period. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Company had unused tax losses of approximately HK$462 million (2010: HK$238 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams and may be carried forward indefinitely.

41. Acquisition of Subsidiaries

Year ended 31 December 2010

(a) On 9 September 2009, the Company entered into a conditional subscription agreement with COGO, a public limited company incorporated in Hong Kong which holds investment properties under development and completed properties for sale and its shares are listed on the Hong Kong Stock Exchange. The Company, or one or more special purpose vehicles wholly-owned by the Company (the "Offeror") subscribed for 157,045,368 shares at a consideration of HK$2.90 per share in cash (the "Subscription"), representing approximately 30% of the issued share capital of COGO as at 9 September 2009 and approximately 23.08% of the issued share capital of COGO as enlarged by the Subscription. Star Amuse Limited ("Star Amuse"), an indirectly wholly-owned subsidiary of the Company, subscribed for the 157,045,368 shares at a cash consideration of approximately HK$455 million and the completion of the Subscription took place on 10 February 2010. At the date of completion of the Subscription, COGO was 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 had 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.

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 had been accounted for using acquisition method. The cash consideration for 50.1% was approximately HK$1,374 million and a gain from bargain purchase of subsidiaries of approximately HK$906 million was credited to the consolidated income statement for the year ended 31 December 2010.

The cash consideration for acquisition of additional interest of 4.34% in relation to shares in COGO acquired from other shareholders under the offer in COGO was 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 was credited to retained profits during the year ended 31 December 2010.

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(a) *(continued)*

Subsequent to the Offer, COGO had 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 had 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 was credited to retained profits.

The fair value of net assets acquired in the transaction were as follows:

	HK$'000
Investment properties	723,084
Property, plant and equipment	43,438
Prepaid lease payments for land	3,493
Other intangible assets	42,548
Interests in jointly controlled entities	474,365
Inventories	1,250
Stock of properties	15,220,419
Trade and other receivables	523,287
Amounts due from jointly controlled entities	119,370
Amounts due from non-controlling interests	4,212
Tax prepaid	8,299
Restricted bank deposits	303,462
Cash and cash equivalents	810,656
Trade and other payables	(2,153,327)
Pre-sales deposits	(1,657,690)
Amount due to a jointly controlled entity	(227)
Amounts due to non-controlling interests	(82,555)
Amounts due to related parties	(797,922)
Tax liabilities	(666,525)
Borrowings	(1,747,598)
Deferred tax liabilities	(4,646,617)
	6,525,422
Non-controlling interests	(4,244,876)
Gain from bargain purchase	(905,718)
Total consideration, satisfied by cash	1,374,828
Net cash outflow arising from acquisition:	
Consideration paid in cash	1,374,828
Less: cash and cash equivalents acquired	(810,656)
	564,172

41. Acquisition of Subsidiaries*(continued)*

Year ended 31 December 2010 *(continued)*

(a) *(continued)*

The fair value of trade and other receivables, amounts due from jointly controlled entities and non-controlling interests at the date of acquisition amounted to approximately HK$523 million, HK$119 million and HK$4 million, respectively, which approximate to the gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that the contractual cash flows not expected to be collected is insignificant.

The Group's interest in the net fair value of the COGO's identifiable assets and liabilities at the date of acquisition exceeds the cost of the business combination as the subscription price for the shares of COGO was lower than the fair value of the net assets acquired. Accordingly, gain from bargain purchase was recognised immediately in the profit or loss.

The fair value of COGO's identifiable assets and liabilities had been reassessed and fair value adjustments on interests in jointly controlled entities and stock of properties were made by reference to the valuation of the properties held by the jointly controlled entities and the subsidiaries of COGO, which had been arrived at on the basis of a valuation carried out on 10 February 2010 by DTZ Debenham Tie Leung Limited. The valuation for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The valuation for properties under construction was arrived at on the basis that they will be developed and completed in accordance with COGO's latest development proposal and by reference to comparable sales evidence as available in the relevant market and where appropriate, taking into account the estimated total construction costs to be incurred.

Non-controlling interests

The non-controlling interests (49.9%) in COGO recognised at the acquisition date was determined by reference to the non-controlling shareholders' share of fair values of the identifiable net assets in COGO, amounting to approximately HK$2,271 million.

Impact of acquisition on the results of the Group

COGO contributed approximately HK$3,494 million and HK$290 million to the Group's revenue and profit, respectively, for the period between the date of acquisition and 31 December 2010.

Had the acquisition of COGO been effected at 1 January 2010, total group revenue for the year would have been approximately HK$44,332 million, and profit for the year would have been approximately HK$12,609 million. The proforma information is for illustrative purposes only and is not necessary an indication of revenue and result operation of the Group at actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(b) On 15 April 2010, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Great Sky Property Investment Company Limited for a cash consideration of HK$960 million. The acquiree mainly owns land use rights in respect of a piece of land located in Macau for property development. The transaction was accounted for as acquisition of assets.

The net assets acquired in the transaction were as follows:

	HK$'000
Stock of properties	959,867
Other receivables	316
Other payables	(183)
Total consideration, satisfied by cash	960,000
Cash outflow arising on acquisition	960,000

(c) On 11 June 2010, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in 珠海經濟特區卓運房產有限公司 at a cash consideration of approximately RMB304 million (equivalent to HK$348 million). The acquiree mainly owns the land use rights in respect of a piece of land located in Zhuhai, the PRC for property development. The transaction was accounted for as acquisition of assets.

The net assets acquired in the transaction were as follows:

	HK$'000
Bank balances and cash	1,690
Stock of properties	354,687
Other payables	(8,139)
Total consideration, satisfied by cash	348,238
Net cash outflow arising from acquisition:	
Consideration paid in cash	348,238
Less: cash and cash equivalents acquired	(1,690)
	346,548

41. Acquisition of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(d) On 8 July 2010, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Omar Property Development Company Limited ("Omar Property") at a cash consideration of approximately HK$1,735 million. The acquiree mainly owns the land use rights in respect of a piece of land located in Macau, the PRC for property development. The transaction was accounted for as acquisition of assets.

The net assets acquired in the transaction were as follows:

	HK$'000
Property under development for sale	1,734,549
Other payables	(311)
Total cash consideration, satisfied by cash	1,734,238
Cash outflow arising on acquisition	1,734,238

On 30 September 2010, the Group disposed of 15% equity interest in Omar Property and shareholder's loan of HK$106 million to China State Construction International Holdings Limited ("CSCIHL"), the Company's fellow subsidiary, at a total consideration of approximately HK$264 million. There was no significant difference between the cash consideration received for the partial disposal of equity interest in Omar Property of HK$158,146,000 and the carrying amount of the non-controlling interest in Omar Property at the date of disposal.

42. Acquisition of Additional Interest in a Subsidiary/Deemed Disposal of Subsidiaries

Year ended 31 December 2010

(a) Acquisition of additional interest in a subsidiary

During the year ended 31 December 2010, in addition to the acquisition of additional equity interest in COGO as disclosed in note 41(a), COGO acquired 30% additional equity interest in a subsidiary and the details are as follows:

On 2 November 2010, COGO entered into an agreement (the "Acquisition Agreement") with Assure Win Investments Limited ("Assure Win"), Mr. Wang Tao Guang ("Mr. Wang"), Mr. Cheng Yang ("Mr. Cheng") and Kentrise Company Inc. ("Kentrise"), independent third parties of the Group pursuant to which COGO would acquire the remaining 30% non-controlling interests in Pan China Land (Holdings) Corporation ("Pan China Land") and its subsidiaries from Assure Win, which engaged in property investment and property development in the PRC. Through the acquisition, COGO increased its effective equity interest in Pan China Land from 70% to 100%. Assure Win was 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 Pan China Land should 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.

42. Acquisition of Additional Interest in a Subsidiary/Deemed Disposal of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(a) Acquisition of additional interest in a subsidiary *(continued)*

Pursuant to the terms of the Acquisition Agreement, within 12 months from 15 December 2010, 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 of Hong Kong Limited 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 issued share capital of COGO as enlarged by the issue of Consideration Shares.

The transaction was completed on 20 December 2010 upon the shareholders' approval and Pan China Land became the wholly-owned subsidiary of COGO. According to the Acquisition Agreement, the deferred consideration can only be settled by the issue of the Consideration Shares for the First 12-month Period and the Next 6-month Period and cash settlement may only be made in the Last 6-month Period and also, the Consideration Shares are denominated in HK$, which is different from the functional currency of COGO and therefore, the deferred consideration is classified as derivative financial liability with fair value at the date of completion of the transaction of HK$1,187,323,000, which was determined at the date of completion by a professional valuer not connected to the Group. The valuation was arrived at by using the Monte-Carlo simulation model with the major inputs including the historical volatility of share price of comparable listed companies, probability of cash and equity settlement and the discount rate. The difference of HK$167,298,000 between the consideration payable of HK$1,187,323,000 and the non-controlling interests in Pan China Land Group of HK$1,354,621,000 had been recognised in retained earnings for the year ended 31 December 2010. There was no significant change in the fair value of the derivative financial instrument between the date of completion of the transaction and the end of the reporting period.

Year ended 31 December 2011

(b) Deemed disposal of subsidiaries

On 10 February 2011, the Condition of the Acquisition Agreement has been fulfilled. 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, which became an associate of the Company.

42. Acquisition of Additional Interest in a Subsidiary/Deemed Disposal of Subsidiaries *(continued)*

Year ended 31 December 2011 *(continued)*

(b) Deemed disposal of subsidiaries *(continued)*

The aggregate consolidated net assets of COGO at the date of disposal are 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
Bank balances and cash	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

42. Acquisition of Additional Interest in a Subsidiary/Deemed Disposal of Subsidiaries *(continued)*

Year ended 31 December 2011 *(continued)*

(b) Deemed disposal of subsidiaries *(continued)*

The fair value of interests in associates was determined by the quoted share price of the shares of COGO held by the Group on 10 February 2011.

During the year ended 31 December 2011, the disposed subsidiaries had contributed operating cash outflow of approximately HK$469,000,000 and financing cash inflow of approximately HK$915,000,000 to the Group. The disposed subsidiaries had insignificant contribution to the Group's revenue and profit.

43. Disposal of Subsidiaries

Year ended 31 December 2010

(a) On 17 March 2010, the Company and one of its subsidiaries entered into a joint venture agreement ("JV Agreement") with independent third parties and a jointly controlled entity of COHL for establishment and management of Harmony China Real Estate Fund L.P. ("HCREF") engaging in property development projects in the PRC. Pursuant to the JV Agreement, HCREF was jointly controlled by the shareholders and the Group held 41.87% effective equity interest in HCREF.

On 22 June 2010, China Overseas (Zhong Guo) Limited ("COZG"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("S&P Agreement") with HCREF in respect of the sale by COZG to HCREF of 65% equity interest in and shareholder's loans to Novel Wisdom Limited ("Novel Wisdom"), 30% equity interest in and shareholder's loans to Ring Tide Limited ("Ring Tide") and 100% equity interest in Asia World (H.K.) Limited ("Asia World"), respectively, for a total consideration of approximately HK$1,234,599,000 (equivalent to US$158,282,000). Prior to the disposal, Novel Wisdom, Ring Tide and Asia World were the wholly-owned subsidiaries of the Company.

Novel Wisdom was an investment holding company which indirectly held 49% interest in 中海地產(瀋陽)有限公司("Shenyang Project Co"), a company established in the PRC and is principally engaged in property development in the PRC. Ring Tide is an investment holding company which indirectly held 100% interest in 中海地產(青島)投資開發有限公司("Qingdao Project Co"), a company established in the PRC holding a land use right in respect of a piece of land located in Sibei District, Qingdao City, PRC.

On 25 June 2010, the Company and HCREF entered into a master joint venture agreement ("Master Joint Venture Agreement") to jointly control Novel Wisdom, Ring Tide and Asia World and 中海鼎業(西安)房地產有限公司("Xian Project Co"). Pursuant to the Master Joint Venture Agreement, the decision on the operating and financial policies of Novel Wisdom, Ring Tide, Asia World and Xian Project Co requires the unanimous consent of the Company and HCREF. Before entering into the Master Joint Venture Agreement, Xian Project Co is the wholly-owned subsidiary of the Company. Pursuant to the Master Joint Venture Agreement, the Group and HCREF shall make capital contributions to Xian Project Co such that the Group and HCREF shall hold a 70% and 30% equity interest in Xian Project Co, respectively.

In September 2010, Asia World and the Group made capital contributions of HK$538,200,000 and HK$203,885,000, respectively, to Xian Project Co. After the capital contribution, the Group held 70% equity interest in Xian Project Co and the remaining 30% is held by Asia World.

43. Disposal of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(a) *(continued)*

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

	HK$'000
Property, plant and equipment	3,905
Stock of properties	6,245,003
Deposits for land use rights for properties held for sale	458,531
Trade and other receivables	44,420
Deposits and prepayments	464,219
Amounts due from fellow subsidiaries	375,006
Amount due from a shareholder	122,579
Tax prepaid	23,185
Bank balances and cash	1,170,881
Trade and other payables	(48,033)
Rental and other deposits	(4,591)
Amounts due to shareholders	(3,783,038)
Pre-sale deposits	(1,144,369)
	3,927,698
The gain on disposal is calculated as follows:	
Cash consideration	1,234,599
Capital contribution from a venturer	538,200
Fair value of interests in jointly controlled entities	2,451,265
	4,224,064
Net assets of subsidiaries disposed of	(3,927,698)
Gain on disposal	296,366
Satisfied by:	
Cash	1,772,799
Interests in jointly controlled entities, at fair value	2,451,265
	4,224,064
Net cash inflow arising on disposal:	
Cash consideration received	1,772,799
Less: bank balances and cash disposed of	(1,170,881)
	601,918

43. Disposal of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(a) *(continued)*

During the year ended 31 December 2010, the disposed subsidiaries had contributed to the Group's operating cash outflow of approximately HK$1,764,021,000 and investing cash outflow of approximately HK$356,000. The revenue and profits of the disposed subsidiaries included in the Group's consolidated financial statements amounted to HK$242,752,000 and HK$44,962,000, respectively.

Included in gain on disposal was HK$220,905,000, which was the difference between the fair value of retained interest in the disposed subsidiaries of HK$2,451,265,000 and the carrying amount of their net asset value of HK$2,230,360,000.

On 1 December 2010, Luck Park Enterprises Limited, a wholly-owned subsidiary of the Company which held 17.45% equity interest in HCREF, entered into a sale and purchase agreement with an independent third party to dispose of 13.96% equity interest in HCFEF to the independent third party at a cash consideration of HK$325,969,000, resulting in a gain on disposal of partial interest in a jointly controlled entity of HK$25,222,000. Accordingly, the Group's effective interest in HCREF decreased from 41.87% to 27.91%.

43. Disposal of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(b) On 28 June 2010, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in 廣州海粵房地產發展有限公司 ("廣州海粵"), a wholly-owned subsidiary of the Company, at a cash consideration of HK$582,153,000. 廣州海粵 was engaged in property investment and development in Guangzhou, PRC. The transaction was completed in November 2010.

The net assets of 廣州海粵 at the date of disposal were as follows:

	HK$'000
Investment properties	173,052
Property, plant and equipment	41
Stock of properties	256,764
Other receivables	345,368
Bank balances and cash	20,441
Trade and other payables	(11,055)
Tax liabilities	(108,090)
Deferred tax liabilities	(21,573)
Borrowings	(231,390)
	423,558
Gain on disposal	158,595
Total cash consideration	582,153
Net cash inflow arising on disposal:	
Cash consideration received	582,153
Less: Bank balances and cash disposed of	(20,441)
	561,712

During the year ended 31 December 2010, 廣州海粵 had contributed to the Group's revenue and profit after tax amounting to HK$25,718,000 and HK$7,716,000, respectively. 廣州海粵 had contributed to the Group's operating cash flow of approximately HK$22,891,000, investing cash outflow of approximately HK$17,000 and financing cash inflow of approximately HK$223,661,000.

(c) On 10 September 2009, China Overseas Development (Shanghai) Co., Ltd. ("China Overseas Shanghai"), a wholly-owned subsidiary of the Company, had 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 had set up 上海海創房地產有限公司 ("上海海創"), a wholly-owned subsidiary of China Overseas Shanghai with a paid-up registered capital of RMB10 million (equivalent to HK$11.5 million), as the project company to hold and develop the land.

43. Disposal of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(c) *(continued)*

On 24 September 2009, China Overseas Shanghai, China State Construction Engineering Corporation Limited ("CSCECL"), an intermediate holding company of the Company, and China State Construction No.8 Engineering Corporation Limited ("CSCNo.8"), a wholly-owned subsidiary of CSCECL, entered into a joint venture agreement, pursuant to which China Overseas Shanghai, CSCECL and CSCNo.8 shall form a joint venture through the transfer of 50% equity interest in 上海海創 by China Overseas Shanghai to CSCECL and CSCNo.8 at a total cash consideration of RMB 5 million (equivalent to HK$5.7 million), such that the equity interests of 上海海創 would be owned by China Overseas Shanghai, CSCECL and CSCNo.8 as to 50%, 30% and 20%, respectively. The transaction was completed on 10 June 2010 and the operating and financial policies of 上海海創 require the unanimous consent by all the shareholders and 上海海創 is accounted for as a jointly controlled entity of the Company.

The net assets of 上海海創 at the date of disposal are as follows:

	HK$'000
Stock of properties	8,327,448
Bank balances and cash	1,278
Amount due to an intermediate holding company	(8,027,282)
Amount due to a shareholder	(170,734)
Other payables	(120,449)
	10,261
The gain on disposal is calculated as follows:	
Cash consideration	5,731
Fair value of interest in a jointly controlled entity	5,130
	10,861
Net assets of subsidiaries disposed of	(10,261)
Gain on disposal	600
Satisfied by:	
Cash	5,731
Interest in a jointly controlled entity, at fair value	5,130
	10,861
Net cash inflow arising on disposal:	
Cash consideration received	5,731
Less: Bank balances and cash disposed of	(1,278)
	4,453

43. Disposal of Subsidiaries *(continued)*

Year ended 31 December 2010 *(continued)*

(c) *(continued)*

At the date of disposal, the fair value of retained interest in 上海海創 approximated its carrying amount of the net asset value. In the opinion of directors of the Company, there was no significant difference between the carrying amount of stock of properties held by 上海海創 and its fair value, which was determined by reference to the latest comparable market transactions in the similar locations.

During the year ended 31 December 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 consolidated financial statements amounted to approximately HK$126,000.

(d) During the year ended 31 December 2010, COGO had disposed of its 90% equity interest in 惠州光大置業有限公司 ("Huizhou Everbright") to a non-controlling interest of Huizhou Everbright at a cash consideration of RMB314,800,000 (equivalent to HK$361,989,000). Huizhou Everbright was engaged in property development in PRC.

The net assets of Huizhou Everbright at the date of disposal were as follows:

	HK$'000
Stock of properties	320,160
Bank balances and cash	1,036
Trade and other payables	(14)
Tax liabilities	(4)
Deferred tax liabilities	(103,578)
Non-controlling interest	(1,135)
	216,465
Gain on disposal	145,524
Total consideration, satisfied by cash	361,989
Net cash inflow arising on disposal:	
Cash consideration	361,989
Less: Bank balances and cash disposed of	(1,036)
	360,953

During the year ended 31 December 2010, the disposed subsidiary had insignificant contribution to the Group's revenue, profit, operating, investing and financing cash flows.

44. Disposal of a Jointly Controlled Entity

Year ended 31 December 2010

On 30 September 2010, China Overseas Road & Bridge Holdings Ltd. ("CORB"), a wholly-owned subsidiary of the Company, and Ever Power Group Limited ("Ever Power"), a wholly-owned subsidiary of CSCIHL entered into a sale and purchase agreement pursuant to which CORB disposed of its 100% equity interest in China Overseas Technology Holdings Limited ("COTHL") to Ever Power at a cash consideration of HK$1,690,000,000. COTHL held 65% equity interest in 南京長江第二大橋有限責任公司 ("南京二橋") which was accounted for as a jointly controlled entity of COTHL prior to the disposal. COTHL was engaged in investment holding and 南京二橋 was engaged in the operation and management of toll bridge in the PRC. The transaction was completed in November 2010.

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

	HK$'000
Property, plant and equipment	1,665
Interest in a jointly controlled entity	1,439,991
Trade and other receivables	33
Bank balances and cash	26,387
Trade and other payables	(12,717)
Tax liabilities	(38,277)
	1,417,082
Gain on disposal	272,918
Total consideration	1,690,000
Satisfied by:	
Cash	845,000
Deferred consideration due within one year	845,000
	1,690,000
Net cash inflow arising on disposal:	
Cash consideration	845,000
Less: Bank balances and cash disposed of	(26,387)
	818,613

The deferred consideration was unsecured, interest-free and was fully settled in February 2011.

During the year ended 31 December 2010, the disposed subsidiary had contributed to the Group's investing cash inflow of approximately HK$165,248,000 and its contribution to the Group's operating and financing cash flows was insignificant.

45. Goodwill

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
COST	**109,021**	109,021

At the end of the reporting period, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interest in China Overseas Property Management Ltd ("COPM") of HK$44,496,000 and Hua Yi Designing Consultants Limited ("Hua Yi") of HK$64,525,000 acquired during the year ended 31 December 2007 and 31 December 2005, respectively. COPM and its subsidiaries are principally engaged in property management and investment holding while Hua Yi and its subsidiary are principally engaged in the provision of building design consultancy services and investment holding. For the purposes of impairment testing, the attributable amount of goodwill, having an indefinite useful lives, has been allocated to the other operations category in the reporting segment.

At the end of the reporting period, management determines that there is no impairment of goodwill based on the estimated recoverable amount of each of these two cash generating units to which the goodwill relates. The recoverable amount of the units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2010: 10%). The 10-year cash flows beyond the 5-year period are projected using a zero (2010: zero) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

46. Other Intangible Asset

	Shopping mall operating right *HK$'000*
THE GROUP	
COST	
At date of acquisition *(note 41(a))*	42,548
Exchange adjustment	1,378
At 31 December 2010	43,926
Deemed disposal of subsidiaries *(note 42(b))*	(43,926)
At 31 December 2011	—
AMORTISATION	
Charge for the year	3,967
Exchange adjustment	89
At 31 December 2010	4,056
Deemed disposal of subsidiaries *(note 42(b))*	(4,056)
At 31 December 2011	—
CARRYING VALUE	
At 31 December 2011	—
At 31 December 2010	39,870

The shopping mall operating right was amortised over 10 years on a straight-line basis based on the estimated remaining useful life of the shopping mall prior to the disposal.

47. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Bank balances and cash	**19,179,381**	32,023,494
Less: restricted bank deposits *(note 31)*	**(1,337,903)**	(449,513)
	17,841,478	31,573,981

48. Operating Lease Commitments

The Group as lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of approximately HK$12,930 million (2010: HK$10,670 million) and approximately HK$75 million (2010: HK$77 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK$359 million (2010: HK$294 million), of which approximately HK$351 million (2010: HK$284 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to eighteen years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**485,783**	306,550
In the second to fifth year inclusive	**711,579**	494,937
After five years	**116,353**	116,823
	1,313,715	918,310

48. Operating Lease Commitments *(continued)*

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**61,803**	37,236
In the second to fifth year inclusive	**43,144**	57,212
After five years	**3,237**	40,398
	108,184	134,846

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for two to six years.

The Company as lessee

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**30,184**	30,184
In the second to fifth year inclusive	**10,487**	40,670
	40,671	70,854

49. Capital Commitments

At the end of the reporting period, the Group had the following commitments not provided for in the consolidated financial statements:

(a) Capital expenditure in respect of investment properties:

	The GROUP	
	2011	2010
	HK$'000	*HK$'000*
— Authorised but not contracted for	**11,861,883**	12,751,737
— Contracted but not provided for	**192,570**	463,318
	12,054,453	13,215,055

	The GROUP	
	2011	2010
	HK$'000	*HK$'000*
(b) Capital contributions authorised but not contracted for		
— Subsidiaries	**—**	108,780

(c) The Group has committed to contribute US$40 million (2010: nil) in relation to the establishment and management of an investment fund, Harmony China Real Estate Fund II, L.P., the jointly controlled entity of the Group. The amount is expected to be paid in 2012.

The Company had no significant capital commitments at the end of the reporting period.

50. Contingent Liabilities

At the end of the reporting period, there were contingent liabilities as follows:

(a) Guarantees given and indemnities provided by the Group and the Company to banks in respect of credit facilities granted to:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries				
— Maximum	**—**	—	**6,439,146**	7,828,416
— Utilised	**—**	—	**6,199,136**	6,296,761
Jointly controlled entities				
— Maximum	**1,751,573**	1,375,015	**620,106**	352,568
— Utilised	**1,231,035**	740,393	**475,786**	70,514

50. Contingent Liabilities *(continued)*

(b) The Group provided guarantees amounted to approximately HK$6,521 million (2010: HK$9,543 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(c) As disclosed in note 38, the Company also provided guarantee amounted to approximately HK$10,028 million (2010: HK$10,018 million) in respect of the guaranteed note issued by subsidiaries of the Company.

Other than the guarantee provided by the Company as mentioned in item (a) and (c), the directors considered that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates. The fair value of financial guarantee contracts of the Company have been recognised in the Company's financial statements.

51. Pledge of Assets

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure general banking facilities and other loan facilities granted to the Group and to secure the mortgage loans granted by banks to the home buyers are as follows:

	The GROUP	
	2011	2010
	HK$'000	*HK$'000*
Leasehold land and buildings included in property, plant and equipment	**–**	29,271
Investment properties	**–**	1,268,041
Stock of properties	**–**	449,153
Trade receivables	**–**	4,155
Bank deposits *(note 25)*	**17,346**	23,605
	17,346	1,774,225

52. Related Party Transactions

Other than the partial disposal of interest in a subsidiary, disposal of subsidiaries and a jointly controlled entity to related parties as disclosed in notes 41(d), 43 and 44, respectively, the Group had the following transactions with related parties:

(a) Certain subsidiaries of the Company had appointed Shenzhen China Overseas Construction Engineering Company ("SCOCE"), a wholly-owned subsidiary of China State Construction International Holdings Limited ("CSCIHL"), as the main contractor for the construction of the property development projects undertaken by them, at an aggregate contract price of approximately RMB220 million. Construction fees paid or payable by the said subsidiaries to SCOCE under the contracts amounted to approximately HK$134 million (2010: HK$30 million) in respect of the year.

(b) In August 2005, a construction management contract was entered into between Goodrich Company Limited ("Goodrich") and China Construction Engineering (Macau) Company Limited ("CCE Macau"), a wholly-owned subsidiary of CSCIHL, under which CCE Macau was appointed as a construction manager of Goodrich for a property project in Macau at a management fee of approximately HK$20 million plus a bonus payment for a maximum amount of approximately HK$30 million payable upon the satisfaction of certain conditions stipulated in the said contract.

No fees were paid or payable by the Group in 2010 and 2011.

52. Related Party Transactions *(continued)*

(c) In November 2005, the Company entered into agreements with each of CSCIHL, the Company's fellow subsidiary, SCOCE and CCE Macau individually whereby the Group continues to engage CSCIHL and its subsidiaries ("CSCIHL Group"), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau, respectively, upon successful tender for each of the three financial years ended 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them shall not exceed HK$900 million, HK$1,600 million and HK$200 million, respectively.

In April 2009, the Company entered into a renewal contractor agreement with CSCIHL, pursuant to which the Group may continue to engage CSCIHL Group as contractors with the total contract sum not exceeding HK$1,000 million between 1 July 2009 and 31 December 2009, HK$2,000 million for each of the two years ended 31 December 2011, and HK$1,000 million between 1 January 2012 and 30 June 2012, respectively.

During the year, the total contract sum granted by the Group to CSCIHL Group under the renewal contractor agreements amounted to approximately HK$167.8 million (2010: HK$1,626.9 million).

(d) In May 2006, On Success Development Limited ("On Success"), a subsidiary of the Company entered into Master Tenancy Agreement with China Overseas (Hong Kong) Limited ("COHK"), a subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties as offices of CSCIHL Group. The rent receivable by On Success will be approximately HK$6.6 million, approximately HK$8.6 million and approximately HK$9.0 million for the three years ended 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

In April 2010, the Company entered into a renewal Master Tenancy Agreement with CSCIHL, pursuant to which the Group may continue to lease certain of its properties to CSCIHL Group as offices with rent receivable not exceeding HK$6 million between 1 July 2009 and 31 December 2009, HK$12 million for each of the two years ended 31 December 2011, and HK$6 million between 1 January 2012 and 30 June 2012, respectively.

During the year, the rent received or receivable by the Group from CSCIHL Group under the renewal Master Tenancy Agreement amounted to approximately HK$10.4 million (2010: HK$10.4 million).

(e) In May 2006, China Overseas Security Services Ltd ("COS"), a subsidiary of the Company and CSCIHL entered into a Master Security Agreement pursuant to which COS would provide security services to the worksites of CSCIHL and/or its subsidiaries. The security service fee for each of the three financial years ended 31 December 2008 will not exceed HK$30 million per year.

In April 2009, the Company entered into a renewal Master Security Agreement with CSCIHL, pursuant to which the Group may continue to provide security services to CSCIHL Group with the service fee not exceeding HK$15 million between 1 July 2009 and 31 December 2009, HK$30 million for each of the two years ended 31 December 2011, and HK$15 million between 1 January 2012 and 30 June 2012, respectively.

During the year, the total contract sum granted to the Group by CSCIHL Group under the renewal Master Security Agreement amounted to approximately HK$17.2 million (2010: HK$26.0 million) and the security service fee received or receivable by the Group amounted to approximately HK$22.2 million (2010: HK$5.3 million).

52. Related Party Transactions *(continued)*

(f) In March 2010, the Company entered into a renewed agreement with China State Construction Engineering Corporation Limited ("CSCECL"), a subsidiary of CSCEC, namely renewed CSCECL Group Engagement Agreement, pursuant to which the Group may continue to engage CSCECL and its subsidiaries as contractor with the total contract sum not exceeding approximately RMB4,500 million (equivalent to approximately HK$5,113.6 million) between 1 January 2010 and 31 December 2010, approximately RMB5,000 million (equivalent to approximately HK$5,618.8 million) for each of the two years ending 31 December 2012, and approximately RMB2,500 million (equivalent to approximately HK$2,840.9 million) between 1 January 2013 and 30 June 2013.

During the year, the total contract sum granted by the Group to CSCECL and its subsidiaries under the renewal CSCECL Group Engagement Agreement amounted to approximately RMB1,748.5 million (equivalent to approximately HK$2,106.7 million) (2010: RMB2,188.6 million (equivalent to approximately HK$2,572.1 million)) and the construction cost paid or payable to CSCECL and its subsidiaries amounted to approximately HK$926.2 million (2010: HK$733.9 million).

(g) In June 2010, the Company entered into an agreement with Shenyang Huanggu Thermoelectricity Company Limited ("SHTCL"), a subsidiary of CSCIHL, pursuant to which the Group would engage SHTCL as contractor with the total contract sum not exceeding approximately HK$100 million between 1 July 2010 and 31 December 2010 and for the period between 1 January 2011 and 31 December 2011 shall not exceed HK$150 million and for the period between 1 January 2012 and 31 December 2012 shall not exceed HK$150 million.

During the year, the total contract sum granted by the Group to SHTCL under the agreement amounted to approximately HK$25.3 million (2010: HK$72.5 million) and the heating pipes connection service cost paid or payable to SHTCL amounted to HK$24.4 million (2010: HK$59.1 million).

(h) The Group had entered into insurance policies with China Overseas Insurance Limited ("COIL"), a subsidiary of CSCIHL. The aggregate amount of premium paid or payable by the Group to COIL during the year amounted to approximately HK$1.6 million (2010: HK$1.3 million).

(i) In April 2011, the Company entered into a trademark licence agreement, pursuant to which the Company grants COGO a license to use the trademark of the Company in PRC for a term commencing 6 April 2011 and ending on 31 March 2014 with the royalty receivable not exceeding HK$100 million from the period from 6 April 2011 to 31 March 2012 and for each of the 12-month period between 1 April 2012 and 31 March 2014. The aggregate amount of royalty received or receivable from COGO amounted to HK$51.7 million during the year.

In August 2011, certain subsidiaries of the Group have entered into property lease agreements with a subsidiary of COGO with the total rent payable by the Group to COGO not exceeding RMB12.5 million (approximately HK$15.0 million) for each of the 12-month period between 1 August 2011 and 31 July 2014. The aggregate amount of rental paid or payable to the subsidiary of COGO amounted to RMB5.2 million (equivalent to approximately HK$6.3 million) during the year.

In August 2011, COPM, a subsidiary of the Company entered into a framework agreement ("Framework Agreement") with COGO, whereby COGO and its subsidiaries may engage the COPM and its subsidiaries as property manages in the PRC upon successful tender for a term of three years commencing from 3 August 2011 and ending on 31 July 2014. The total management fee receivable under the Framework Agreement for the period from 3 August 2011 to 31 July 2012 and for each of the 12-month period between 1 August 2012 and 31 July 2014 shall not exceed RMB25.2 million, RMB33.6 million and RMB33.0 million (equivalent to approximately HK$30.2 million, HK$40.3 million and HK$40.0 million), respectively. The aggregate amount of management fee received or receivable from COGO during the year amounted to RMB3.6 million (equivalent to approximately HK$4.4 million).

52. Related Party Transactions *(continued)*

(i) *(continued)*

In August 2011, Hong Kong Hua Yi Design Consultants (Shenzhen) Limited, a subsidiary of the Company has entered into a project design agreement with Hohhot China Overseas Grand Oceans Property Company Limited, a subsidiary of COGO at a consultancy fee of not more than RMB6.3 million (equivalent to approximately HK$7.6 million). The aggregate amount of consultancy fee received or receivable during the year amounted to HK$3.0 million.

(j) In 2011, the Group has interest income of approximately HK$12.3 million (2010: HK$12.3 million) and approximately HK$333.2 million (2010: HK$452.3 million) from its associates and jointly controlled entities, respectively.

(k) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	**101,853**	107,883
Mandatory Provident Fund contribution	**48**	72
	101,901	107,955

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(l) Transactions with other state-controlled entities in the PRC

HKAS 24 (as revised in 2009) in respect of the partial exemption from disclosure requirements for government related entities has been early adopted by the Group in 2009 and therefore, the Group has taken advantage of the partial exemption from disclosure requirements on the quantitative information on the extent of transactions between the Group and the government related entities.

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled entities"). The directors consider those state-controlled entities are independent third parties so far as the Group's business with them are concerned.

In connection with their property development activities, the Group awarded construction and other works contracts to entities, which to the best knowledge of management, are State-controlled entities.

The Group has also entered into various transactions with PRC government departments or agencies which include the acquisition of land mainly through tendering to those government departments or agencies.

52. Related Party Transactions *(continued)*

(l) Transactions with other state-controlled entities in the PRC *(continued)*

Other than those disclosed in item (f) above and the acquisition of land from the government departments or agencies which are mainly attributable to the Group's cost of sales, the directors consider that the other transactions with these state-controlled entities are not significant to the Group.

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities. In view of the nature of those transactions, the directors are of the opinion that quantitative information on the extent of transactions between the Group and the government related entities would not be meaningful.

The Group is active in sales and lease of properties, the provision of real estate agency and management services and other services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with state-controlled entities. However, the directors are of the opinion that the transactions with state-controlled entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and notes 23, 30, 33 and 39. The details of the Company's amounts due from and to related parties are disclosed in the Company's statement of financial position and notes 24, 33 and 34.

53. Event after the End of the Reporting Period

In February 2012, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$500 million (equivalent to approximately HK$3,891 million) and US$250 million (equivalent to approximately HK$1,945 million) (the "2012 Notes") at the issue price of 99.816% and 99.815%, respectively. The 2012 Notes, which bear fixed interest at the rate of 4.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2012 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2012 Notes will mature in February 2017 at the principal amount.

54. Particulars of Principal Subsidiaries

The following are the particulars of the principal subsidiaries at 31 December 2011 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Advocate Properties Limited	100,000 shares of HK$1 each	—	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	—	100	Property investment
China Overseas Building Management Limited	100 shares of HK$1 each	—	100	Real estate management
China Overseas Finance (Cayman) I Limited[vi]	1 share of US$1	100	—	Issuance of guaranteed notes
China Overseas Finance (Cayman) II Limited[vi]	1 share of US$1	100	—	Issuance of guaranteed notes
China Overseas Industrial Holdings Limited	2 shares of HK$1 each	100	—	Investment holding
China Overseas Property Agency Limited	2 shares of HK$1 each	—	100	Real estate agency
China Overseas Property Limited	100 shares of HK$10 each	100	—	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
China Overseas Property Investment Limited (formerly known as Trade Brilliant Development Limited)	10,000 shares of HK$1 each	—	100	Property investment
China Overseas Property Services Limited	10 shares of HK$10 each	—	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited[i]	1 share of US$1	100	—	Investment holding
China Overseas Security Services Limited	2 shares of HK$1 each	—	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	—	100	Investment holding
China Super Group Limited[i]	1 share of US$1	—	100	Investment holding
Chinatone Industrial Limited	1 share of HK$1	—	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	—	Loan financing, investment holding and security investments
Classic China Products Limited	10,000 shares of HK$100 each	—	100	Investment holding
Goodrich Company Limited[vii]	MOP25,000	—	100	Property development

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Dong Kong Holdings Limited	5,000,000 shares of HK$1 each	—	100	Investment holding
Elite Way International Development Limited	1,000,000 shares of HK$1 each	—	100	Property development
Entrepot Limited	100 shares of HK$1 each	—	100	Property development
Further Good Development Limited	100 shares of HK$1 each	—	100	Property trading
Grand Shine Development Limited	1 share of HK$1	100	—	Investment holding
Gain Direct Limited(i)	1 share of US$1	—	100	Investment holding
Gain Regent Company Limited	2 shares of HK$1 each	—	100	Property development
Gold Jade International Holdings Limited	1 share of HK$1	—	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	—	100	Property development, trading and investment
Great Sky Property Investment Company Limited(vii)	MOP25,000	—	100	Property development
Great Trend Investment Limited	10,000 shares of HK$1 each	—	100	Investment holding
Hainan Ruler Limited(i)	1 share of US$1	100	—	Investment holding
Hua Yi Design Consultants Limited	1,000,000 shares of HK$1 each	100	—	Design consultancy services and investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited(vii)	MOP1,000,000	—	100	Property development
Kee Yet Company Limited	2 shares of HK$1 each	—	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	—	100	Investment holding
Macfull Limited	1,000 shares of HK$1 each	—	60	Property development
Macwan Limited	10 shares of HK$1 each	—	70	Property development
Macyat Limited	10,000 shares of HK$1 each	—	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	—	100	Property development
Mepork Services Limited	100 shares of HK$1 each	—	100	Provision of building cleaning, maintenance and security services

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Ocean Group Limited	2 shares of HK$1 each	—	100	Property investment
Omar Property Development Company Limited(vii)	MOP26,000	—	85	Property development
On Success Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Peak Top Enterprises Limited(i)	1 share of US$1	—	100	Investment holding
Prosper Sea Developments Limited(i)	1 share of US$1	—	100	Investment holding
Proud Sea International Limited(i)	10 shares of US$1 each	90	—	Investment holding
Right Max Development Limited	1,000,000 shares of HK$1 each	—	100	Property development
Rise Stand Developments Limited(i)	1 share of US$1	—	100	Investment holding
Seawave Company Ltd(i)	1 share of US$1	—	100	Investment holding
Silver Yield Development Limited	100 shares of HK$1 each	—	100	Property trading
Splendid Return Limited(i)	50,000 shares of US$1 each	—	100	Investment holding
Total Wonder Limited(i)	1 share of US$1	—	100	Investment holding
Treasure Trinity Limited(i)	1 share of US$1	—	100	Investment holding
Wealth Faith Developments Limited(i)	1 share of US$1	—	100	Investment holding
Wealth Join Development Limited	1 share of HK$1 each	—	100	Property development
Widenews Company Limited ("Widenews")	2 shares of HK$1 each(viii)	—	100	Property development and investment holding
Wing Sea Group Limited(i)	1 share of US$1	—	100	Investment holding
Winwhole Development Limited	100 shares of HK$1 each	—	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	—	100	Investment holding
Yorkley Group Limited	100 shares of HK$1 each	—	100	Investment holding
中海發展(上海)有限公司(ii)	US$17,000,000	—	100	Property development and trading
中海地產諮詢(上海)有限公司(ii)	US$500,000	—	100	Real estate agency and investment holding
上海萬和房地產有限公司(iv)	US$43,340,000	—	95	Property development
上海新海匯房產有限公司(iv)	US$40,000,000	—	99.5	Property development
上海中海房地產有限公司(v)	RMB10,000,000	—	100	Property development

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Proportion of nominal value of issued/ registered ordinary capital held by the Company Indirectly %	Principal activities
上海中海海華房地產有限公司(v)	RMB10,000,000	—	98	Property development
上海中海海庭房地產有限公司(v)	RMB10,000,000	—	98	Property development
上海錦港房地產發展有限公司(v)	RMB20,000,000	—	100	Property development
上海中海海怡房地產有限公司(v)	RMB20,000,000	—	100	Property development
大連中海地產有限公司(v)	RMB20,000,000	—	100	Property development
大連中海興業房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
中海東豐地產(大連)有限公司(ii)	RMB880,000,000	—	100	Property development
中山市中海房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
中海興業(西安)有限公司(ii)	US$60,000,000	—	100	Property development
中海鼎盛(西安)房地產有限公司(ii)	RMB676,000,000	—	100	Property development
中海發展(蘇州)有限公司(ii)	US$250,000,000	—	100	Property development
中海地產(蘇州)有限公司(v)	US$50,000,000	—	100	Property development
中海英奧置業(蘇州)有限公司(ii)	US$99,000,000	—	100	Property development
中海海盛(蘇州)房地產有限公司(v)	RMB30,000,000	—	100	Property development
中海興業(寧波)有限公司(ii)	US$33,000,000	—	100	Property development
天津中海嘉業投資有限公司(v)	RMB30,000,000	—	100	Property development
天津中海興業房地產開發有限公司(v)	RMB30,000,000	—	100	Property development
北京億利房地產開發有限公司(iv)	US$12,000,000	—	100	Property development
北京中海地產有限公司(iv)	RMB50,000,000	—	100	Property development
北京中海豪庭房地產開發有限公司(iv)	RMB10,000,000	—	100	Property development
北京中海豪峰房地產開發有限公司(iv)	RMB50,000,000	—	100	Property development
北京中海廣場置業有限公司(v)	RMB30,000,000	—	100	Property development
北京中海海洋花園房地產開發有限公司(iv)	US$11,920,000	—	72	Property development
北京嘉益德房地產開發有限公司(v)	RMB50,000,000	—	100	Property development
北京古城興業置業有限公司(v)	RMB50,000,000	—	70	Property development
北京中海豪景房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
北京世紀順龍房地產開發有限公司(v)	RMB30,000,000	—	51	Property development
中海興業(成都)發展有限公司(ii)	US$99,000,000	—	100	Property development
中海信和(成都)物業發展有限公司(ii)	HK$420,000,000	—	80	Property development
中海振興(成都)物業發展有限公司(ii)	US$89,800,000	—	100	Property development
成都中海鼎盛房地產開發有限公司(v)	RMB50,000,000	—	100	Property development
鉅星(成都)商務服務有限公司(ii)	RMB68,000,000	—	100	Property development
中海地產(佛山)有限公司(ii)	RMB1,100,000,000	—	100	Property development
佛山市中海興業房地產開發有限公司(v)	US$50,000,000	—	100	Property development
佛山中海千燈湖房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
瀋陽中海興業房地產開發有限公司(v)	RMB20,000,000	—	100	Property development
瀋陽中海新海匯置業有限公司(v)	RMB20,000,000	—	100	Property development
杭州中海房地產有限公司(v)	US$99,800,000	100	—	Property development
中海發展(杭州)有限公司(v)	US$49,800,000	—	100	Property development

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中海地產(杭州)有限公司(ii)	US$99,800,000	—	100	Property development
長沙中海興業房地產有限公司(ii)	RMB662,000,000	—	100	Property development
長春中海地產有限公司(iv)	RMB100,000,000	—	100	Property development
長春海華房地產開發有限公司(ii)	US$49,800,000	—	100	Property development
長春海悦房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
長春海成房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
青島中海興業房地產有限公司(v)	RMB10,000,000	—	100	Property development
青島中海鼎業房地產有限公司(v)	RMB10,000,000	—	100	Property development
青島中海嘉業房地產有限公司(v)	RMB10,000,000	—	100	Property development
青島中海華業房地產有限公司(ii)	RMB3,430,000,000	—	100	Property development
南京中海地產有限公司(v)	RMB20,000,000	—	100	Property development
南京海潤房地產開發有限公司(ii)	US$50,000,000	—	100	Property development
南京中海海浦房地產有限公司(v)	RMB30,000,000	—	100	Property development
南昌中海地產有限公司(v)	RMB20,000,000	—	100	Property development
中海地產重慶有限公司(v)	RMB670,000,000	—	100	Property development
重慶中工建設有限公司(v)	RMB50,000,000	—	100	Property development
香港華藝設計顧問(深圳)有限公司(ii)	RMB12,000,000	—	100	Design consultancy services
北京中海華藝城市規劃設計有限公司(v)	RMB1,000,000	—	90	Design consultancy services
中海地產(珠海)有限公司(v)	RMB405,000,000	—	100	Property development
珠海市志趣咨詢服務有限公司(v)	RMB20,000,000	—	100	Property development
珠海市永福通咨詢服務有限公司(v)	RMB20,000,000	—	100	Property development
廣逸房地產開發(珠海)有限公司(iv)	HK$1,200,000,000	—	100	Property development
珠海市海利達咨詢服務有限公司(v)	RMB100,000	—	100	Property development
珠海市啟光咨詢服務有限公司(v)	RMB100,000	—	100	Property development
珠海經濟特區卓運房產有限公司(v)	RMB10,000,000	—	100	Property development
中海地產集團有限公司(iii)	RMB2,610,200,000	—	100	Property development, trading and investment and investment holding
深圳中海地產有限公司(iv)	HK$50,000,000	—	100	Property development
深圳市中海海景山莊物業發展有限公司(v)	RMB10,000,000	—	60	Property development
深圳市中海深圳灣房地產開發有限公司(v)	RMB10,000,000	—	100	Property development
深圳市中海日輝台物業發展有限公司(v)	RMB41,791,108	—	100	Property development
中海月朗苑物業發展(深圳)有限公司(ii)	HK$10,000,000	—	100	Property development
中海寶松物業發展(深圳)有限公司(ii)	HK$262,500,000	—	100	Property development
深圳市中海光大房地產開發有限公司(v)	RMB50,000,000	—	78	Property development
深圳市龍富房地產開發有限公司(v)	RMB150,000,000	—	100	Property development
深圳市斯特沃德酒店管理有限公司(v)	RMB5,000,000	—	100	Hotel management
廈門中海地產有限公司(v)	RMB20,000,000	—	100	Property development

54. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
煙臺中海地產有限公司 (v)	RMB10,000,000	—	100	Property development
中海發展(廣州)有限公司 (ii)	US$21,000,000	—	100	Investment holding, property development, building construction and project management
廣州中海名都房地產發展有限公司 (iv)	RMB400,000,000	—	100	Property development
廣州江東房地產開發有限公司 (iv)	RMB99,800,000	—	100	Property development
廣州中海地產有限公司 (v)	RMB100,000,000	—	100	Property development
廣州藍灣房地產開發有限公司 (v)	RMB15,000,000	—	100	Property development
廣州良寶房地產投資諮詢有限公司 (ii)	RMB1,000,000	—	100	Property development
廣州廣奧房地產發展有限公司 (v)	RMB10,000,000	—	100	Property development
廣州毅源房地產開發有限公司 (v)	RMB10,000,000	—	90	Property development
廣州世佳房地產開發有限公司 (v)	RMB10,000,000	—	90	Property development
濟南中海地產有限公司 (ii)	US$98,000,000	—	100	Property development
濟南中海地產投資有限公司 (v)	RMB50,000,000	—	100	Property development
中海物業管理(上海)有限公司 (ii)	US$610,000	—	100	Real estate management
深圳市中海電梯工程有限公司 (v)	RMB5,000,000	—	100	Real estate management
深圳市中海樓宇科技有限公司 (v)	RMB5,000,000	—	100	Real estate management
深圳市中海社區環境工程有限公司 (v)	RMB2,000,000	—	100	Real estate management
北京中海物業管理有限公司 (v)	RMB5,000,000	—	100	Real estate management
成都中海物業管理有限公司 (v)	RMB3,000,000	—	100	Real estate management
長春中海物業管理有限公司 (v)	RMB1,000,000	—	100	Real estate management
中海物業管理廣州有限公司 (v)	RMB15,800,000	—	100	Investment holding and real estate management

(i) *Incorporated in the British Virgin Islands*

(ii) *Foreign investment enterprise registered in the PRC*

(iii) *Joint stock limited company established in the PRC*

(iv) *Sino-foreign joint venture registered in the PRC*

(v) *Limited liability company registered in the PRC*

(vi) *Incorporated in the Cayman Islands*

(vii) *Incorporated in Macau*

(viii) *Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.*

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Finance (Cayman) I Limited and China Overseas Finance (Cayman) II Limited, which have issued US$300,000,000 and US$1,000,000,000 guaranteed notes payable, respectively (note 38), none of which were held by the Group.

Five Year Financial Summary

For the year ended 31 December 2011

(A) Consolidated Results

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	16,632,553	18,892,373	37,321,630	44,313,014	**48,582,976**
Operating profit	7,303,082	8,764,462	12,259,248	18,913,841	**23,388,338**
Gain on bargain purchases	—	—	—	905,718	**—**
Gain on deemed disposal of subsidiaries	—	—	—	—	**45,628**
(Loss) gain on disposal of subsidiaries	(201,449)	276,350	—	601,085	**—**
Gain on disposal of a jointly controlled entity	—	—	—	272,918	**—**
Share of (losses) profits of					
Associates	(27,911)	(10,982)	3,683	17,750	**202,838**
Jointly controlled entities	386,276	(26,848)	19,238	317,196	**719,260**
Finance costs	(500,911)	(417,682)	(228,414)	(461,264)	**(590,763)**
Profit before tax	6,959,087	8,585,300	12,053,755	20,567,244	**23,765,301**
Income tax expense	(2,741,936)	(3,513,018)	(4,449,692)	(7,897,817)	**(8,645,823)**
Profit for the year	4,217,151	5,072,282	7,604,063	12,669,427	**15,119,478**
Attributable to:					
Owners of the Company	4,179,579	5,048,637	7,468,928	12,373,151	**15,025,390**
Non-controlling interests	37,572	23,645	135,135	296,276	**94,088**
	4,217,151	5,072,282	7,604,063	12,669,427	**15,119,478**

(B) Consolidated Net Assets

	At 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
NON-CURRENT ASSETS					
Investment properties	2,634,750	6,428,067	7,747,599	14,053,675	**17,765,372**
Property, plant and equipment	2,232,366	280,967	253,823	319,388	**337,635**
Prepaid lease payments for land	95,736	58,204	47,409	35,984	**68,591**
Interests in associates	56,907	164,581	180,600	210,497	**3,340,454**
Interests in jointly controlled entities	2,588,406	1,947,655	2,558,944	11,323,863	**12,668,593**
Investments in syndicated property project companies	15,274	18,654	20,971	22,867	**22,776**
Amounts due from associates	271,697	90,108	87,424	42,156	**88,793**
Amounts due from jointly controlled entities	2,612,797	4,071,170	9,172,006	8,981,367	**11,727,717**
Amounts due from syndicated property project companies	1,873	1,056	436	154	**—**
Other financial assets	95,781	42,443	30,161	23,726	**17,417**
Goodwill	109,021	109,021	109,021	109,021	**109,021**
Other intangible asset	—	—	—	39,870	**—**
Deferred tax assets	—	485,090	650,791	1,190,537	**1,844,924**
	10,714,608	13,697,016	20,859,185	36,353,105	**47,991,293**
CURRENT ASSETS	53,806,564	71,879,425	93,258,208	125,895,296	**127,984,130**
TOTAL ASSETS	64,521,172	85,576,441	114,117,393	162,248,401	**175,975,423**
NON-CURRENT LIABILITIES					
Borrowings — due after one year	(11,289,021)	(18,320,005)	(14,369,870)	(24,305,704)	**(25,113,861)**
Guaranteed notes payable	(2,326,435)	(2,329,431)	(2,332,426)	(10,018,179)	**(7,689,578)**
Amount due to a fellow subsidiary	(135,864)	—	—	—	**—**
Amounts due to non-controlling interests	(873,557)	(850,983)	(820,310)	(791,904)	**(1,055,226)**
Derivative financial liability	—	—	—	(1,187,323)	**—**
Deferred tax liabilities	(473,789)	(1,255,876)	(1,990,344)	(6,604,793)	**(3,602,864)**
	(15,098,666)	(22,756,295)	(19,512,950)	(42,907,903)	**(37,461,529)**
CURRENT LIABILITIES	(23,632,404)	(29,935,758)	(52,794,812)	(61,398,357)	**(67,929,182)**
TOTAL LIABILITIES	(38,731,070)	(52,692,053)	(72,307,762)	(104,306,260)	**(105,390,711)**
NET ASSETS	25,790,102	32,884,388	41,809,631	57,942,141	**70,584,712**
EQUITY ATTRIBUTABLE TO:					
Owners of the Company	26,282,040	33,219,782	42,093,072	54,734,890	**70,311,697**
Non-controlling interests	(491,938)	(335,394)	(283,441)	3,207,251	**273,015**
	25,790,102	32,884,388	41,809,631	57,942,141	**70,584,712**

Major Properties and Property Interests

1. Particulars of The Group's Interests in Major Completed Properties Held for Investment

	Name of property and location	Use	Lease term	Approximate gross floor area *sq m*	Group's interest *%*
(a)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, Office floors 4th to 30th Floors (excluding units A to F on 19th Floor) and 60 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial and carparks	Medium-term lease	19,485	100
(b)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	Commercial and carparks	50 years expiring on 10 June 2051	24,668	100
(c)	China Overseas Plaza, Jianguomenwai Avenue, Chaoyang District, Beijing	Commercial and carparks	50 years expiring on 2 April 2053	138,328	100
(d)	China Overseas Property Plaza, West Bin He Road, Yong Ding Men, Dong Cheng District, Beijing	Commercial and carparks	40 years expiring on 18 March 2043	81,619	100
(e)	China Overseas International Center Phase One, No. 199 Jincheng Road, Gaoxin District, Chengdu	Commercial and carparks	40 years expiring on 11 November 2048	128,808	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

2. Particulars of The Group's Interests in Major Properties Under Construction Held for Investment

	Name of property and location	Use	Lease term	Approximate gross floor area *sq m*	Group's interest *%*
(a)	China Overseas International Building, Bin He West Road, Tanggu District, Tianjin	Commercial	40 years expiring on 29 July 2049	138,844	100
(b)	China Overseas International Center Phase Two and Three, No. 199 Jincheng Road, Gaoxin District, Chengdu	Commercial and carparks	40 years expiring on 11 November 2048	247,642	100
(c)	China Overseas Plaza, Ta Wan East Road, Huanggu District, Shenyang	Commercial and carparks	40 years expiring on 18 December 2049	181,542	100
(d)	China Overseas Plaza, Jiu Qu Zhuang Road, Shizhong District, Jinan	Commercial and carparks	40 years expiring on 29 November 2049	126,940	100
(e)	International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan	Commercial and carparks	40 years expiring on 16 September 2049	195,712	100
(f)	China Overseas Building, Phoenix West Road, Gulou District, Nanjing	Commercial	40 years expiring on 11 June 2048	110,397	100
(g)	China Overseas Building, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	Commercial and carparks	40 years expiring on 1 February 2048	314,321	100
(h)	China Overseas Plaza Tower, Bai Shi Road, Xiangzhou District, Zhuhai	Commercial and carparks	40 years expiring on 12 August 2050	211,268	100

3. Particulars of The Group Interests in Major Properties Held under Development

	Name of property and location	Intended use	Stage of completion at 31 December 2011	Expected year of completion	Approximate site area '000 sq m	Approximate gross floor area '000 sq m	Group's interest %
(a)	Residence 9 Fengtai District Beijing, PRC	Residential	Construction in progress	2012	321	570	100
(b)	La Cité Huanggu District Shenyang, PRC	Residential/ Commercial	Construction in progress	2016	716	2,400	100
(c)	International Community District 9 Area Jinan, PRC	Residential/ Commercial	Construction in progress	2014	1,782	2,880	100
(d)	International Community Licang District Qingdao, PRC	Residential	Construction in progress	2013	402	1,695	100
(e)	COLI City III & III Baishan Road, Yuhong District Shenyang, PRC	Residential	Construction in progress	2018	1,274	3,165	100
(f)	No. 1 Lake Lantern Nanhai Qiandenghu West Foshan, PRC	Residential	Construction in progress	2013	154	750	100
(g)	International Community II Suzhou Industrial Park Suzhou, PRC	Residential	Construction in progress	2012	553	982	100
(h)	The Phoenix West Fenghuang Road Nanjing, PRC	Residential/ Commercial	Construction in progress	2014	169	570	100
(i)	Changchun Changling Group Project Linhe District Changchun, PRC	Residential	Construction in progress	2013	140	417	100
(j)	Lohas Island South Dushu Lake, Wuzhong District Suzhou, PRC	Residential	Construction in progress	2012	345	400	100
(k)	Glorious City Longjing Village, Wuhou District Chengdu, PRC	Residential	Construction in progress	2012	123	462	100
(l)	International Community Yanghuyuan, Yuelu District Changsha, PRC	Residential	Construction in progress	2015	344	1,036	100
(m)	International Community Qu Jiang New District Xi'an, PRC	Residential	Construction in progress	2012	640	1,697	100
(n)	Changchun Gaoxin Project Chaofan Street Changchun, PRC	Residential	Construction in progress	2015	191	579	100
(o)	Longwanguoji Project Shiqi District Zhongshan, PRC	Residential	Construction in progress	2012	158	499	100
(p)	Silver Bay Xiangzhou District Zhuhai, PRC	Residential/ Commercial	Construction in progress	2013	86	550	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

4. Particulars of The Group's Interest in Major Properties Held for Sale

	Name of property and location	Use	Approximate gross floor area (excluding carparks) *'000 sq m*	Group's interest *%*
(a)	Coastal Palace Pudong New District Shanghai, PRC	Residential	191	100
(b)	Gold Coast East Nanhai Huangqi Construction Road Foshan, PRC	Residential	178	100
(c)	International Community Changchun Linhe Street Changchun, PRC	Residential/ Commercial	1,040	100
(d)	Windsor Pavilion Chongwen District Beijing, PRC	Residential/ Commercial/ Offices	396	100
(e)	COLI City I Baishan Road, Yuhong District Shenyang, PRC	Residential	611	100
(f)	Starcrest East Gui City, Nanhai District Foshan, PRC	Residential	190	100
(g)	Banyan Coast Gaoxin District Chengdu, PRC	Residential	291	100
(h)	The Silvercarse Yinchuanxi Road, Shinan District Qingdao, PRC	Residential	192	100
(i)	Olympic City Cross of Ruyi Road and North of Huanggeken, Longgang Shenzhen, PRC	Residential	496	100
(j)	International Community I Suzhou Industrial Park Suzhou, PRC	Residential	480	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

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