



中國海外宏洋集團有限公司

CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock code 股份代號 : 00081

Interim Report 2012 中期報告

Robust Prosperity on

**SOLID**

**FOUNDATION**

根基穩健 茁實成長



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### Honourable Chairman

Kong Qingping\*

### Chairman and Non-Executive Director

Hao Jian Min

### Executive Directors

Chen Bin *Chief Executive Officer*

Yu Shangyou

Xiang Hong

Wang Man Kwan, Paul

### Non-Executive Director

Yung Kwok Kee, Billy *Vice Chairman*

### Independent Non-Executive Directors

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

### Authorized Representatives

Hao Jian Min

Yu Shangyou

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

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

### Audit Committee

Chung Shui Ming, Timpson\*

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

### Remuneration Committee

Lam Kin Fung, Jeffrey\*

Hao Jian Min

Yung Kwok Kee, Billy

Chung Shui Ming, Timpson

Lo Yiu Ching, Dantes

### Nomination Committee

Hao Jian Min\*

Chung Shui Ming, Timpson

Lam Kin Fung, Jeffrey

Lo Yiu Ching, Dantes

# *not a director of the Company*

\* *Committee Chairman*

## Corporate Information

### Registered Office

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Telephone : (852) 2918 5181  
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Website : www.cogogl.com.hk

### Company Secretary

Chong Wai Sang, Edmond

### Registrar

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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

Mayer•Brown JSM

### Auditor

BDO Limited  
*Certified Public Accountants*

### Principal Bankers

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

## Shareholders' Information

### Share Listing

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

### Ordinary Shares (as at 30 June 2012)

Shares outstanding	2,282,239,894 shares
Nominal value	HK\$0.01 per share

### Stock Code

#### Shares

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

### Investor Relations

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## INTRODUCTION

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012. The Group's unaudited consolidated profit attributable to the owners of the Company for the first half year of 2012 surged to HK\$1,300.6 million, an increase of 61.8% comparing with the same period last year.

In March 2012, the Group has succeeded in issuing HK\$2.2 billion 2.00% Guaranteed Convertible Bonds due 2017 (credit enhanced until 2015 with step down to zero coupon after 2015). That provides further powerful financial supports at highly competitive finance costs towards the Group's strengthening of the land bank and rolling out its future development projects.

To recognize the Group's outstanding performance and excellent results, both of Morgan Stanley Capital International Index and Hang Seng Index have included the Company as their constituent indices under the MSCI China Small Cap Index, Hang Seng Global Composite Index and Hang Seng Composite Index (which includes Hang Seng Composite Industry Index — Properties & Construction and Hang Seng Composite SmallCap Index) respectively. Inclusions in these well known benchmark indices clearly demonstrate the recognition of the operation scale, profitability and governance of the Company by both of the international and local investors.

Meanwhile, in the last six months, the Group expanded into Ganzhou, the PRC with an intake of a gross floor area ("GFA") of 1,402,000 square meter ("sq.m."). As of 30 June 2012, total land bank of the Group in the PRC reached 7,501,600 sq.m..

## RESULTS

For the six months ended 30 June 2012, property sales was reported at HK\$8,009.2 million for an aggregated sold area of 514,036 sq.m., representing an increase of 88.9% and 152.8% respectively against the same period last year.

Meanwhile, the Group increased its turnover by HK\$3,083.3 million or 150.1% to HK\$5,137.5 million with profit attributable to the owners of the Company enhanced by HK\$496.9 million or 61.8% to HK\$1,300.6 million. Basic earnings per share was HK57.0 cents (2011 restated: HK38.8 cents).

## PROSPECTS

### The Economy

Global economy has not been recovered in the past six month if not worsen, with most of the bad news come from Europe, especially Greece. Due to globalization of market economy, China does not get immunity alone. With weakened exports coupled with tighter domestic policy, there were symptoms of economic slowdown in the PRC. Comparing with the GDP of 9.2% last year, the annual growth target of 2012 had been tuned down to 7.5% at the beginning of the year.

In the PRC, inflation rate was currently tamed with CPI lowered to 2.2% in June 2012 year-on-year. This provides ample room to unveil monetary easing measures. The reserve requirement ratio was reduced twice to 20% in February and May 2012 and it was the first time to cut the interest rate by 0.25% in June 2012 since December 2008. As it is the government's priority to maintain steady economic growth, it is believed that more fiscal stimuli initiatives would be launched, including the speed up of infrastructure developments.

### Real Estate Development

Since property development is a capital intensive industry, it is highly vulnerable to any monetary policy decision. Tightening of money supply and implementation of price control measures had triggered opportunities for industrial shakeout and merger/acquisitions. By promoting the capability of quality and resourceful players, it would help to ensure the long-term healthy development of the property development industry in China.

With the implementation of macroscopic policy restrictions in property purchase, selling price and mortgage financing in the last two years to discourage investment and speculation behaviours, it would help to promote purchases from real end-users as well as core demands in accommodation needs.

## PROSPECTS *(continued)*

### Group Strategy

The Group management team had taken an interim review of its market positioning and execution strategies, as well as re-affirmed its vision.

Despite the external economic turbulence, China remains relatively stable with encouraging economic outlooks. The pace of urbanization has led to the rapid development of the third-tier cities. This has promoted the business opportunities for the property development industry. There are huge growth opportunities for the Group to expand continuously into more middle to high-end residential property markets in third-tier cities with best investment value and growth potentials.

Faced with the challenges ahead, the Group would continue to launch the corporate strategies under the main theme of healthy, stable and swift development, with the supports of the human resources and financial resources assurance systems.

In respect of the execution, the Group is in the process of formalizing and standardizing all internal control and operating procedures, establishing standard workflows and procedural guidelines, as well as the implementation of continuous cost savings initiatives over the development projects. The Group would also closely monitor the impacts from the external economic environment and national policy changes to the business operations.

## APPRECIATION

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

By order of the Board

**China Overseas Grand Oceans Group Limited**

**Hao Jian Min**

*Chairman and Non-executive Director*

Hong Kong, 2 August 2012

## REVENUE AND OPERATING RESULTS

Despite the weakened economic environment and reinstated policy restrictions over the period under review, the Group still secured revenue of HK\$5,137.5 million and gross profit of HK\$2,572.6 million for the six months ended 30 June 2012 upon scheduled completion and delivery of pre-sold properties. Revenue increased by 150.1% as compared with the corresponding period last year while gross profit increased by 139.1%.

Profit margin remained comparable at 50.1% in the period versus 52.4% of the same period last year. Operating profit increased by HK\$1,167.0 million or 85.8% against last period and reached HK\$2,527.2 million for the period ended 30 June 2012. The significant improvement in result was mainly attributable to the strong sales revenue and stable profit margin.

In respect of the overhead costs, the distribution and selling expenses increased in line with current period's turnover by 137.1% to HK\$116.1 million while administrative expenses increased modestly by 52.2% to HK\$135.8 million. Besides, there was an upward fair value gain of HK\$187.4 million (2011: HK\$157.7 million) of the investment properties.

Finance costs lowered to HK\$7.8 million from HK\$12.9 million of last period, after capitalization of HK\$149.6 million to the on-going development projects.

For the half year ended 30 June 2012, profit attributable to equity shareholders of the Company increased significantly to HK\$1,300.6 million, an increase of 61.8% against last corresponding period (2011: HK\$803.7 million).

## LAND BANK

Targeting at emerging third-tier cities in the PRC with best investment value and growth potential, the Group expanded into Ganzhou, the PRC during the period with an acquisition of a land parcel of an approximate GFA of 1,402,000 sq.m. for a consideration of approximately RMB1,105.95 million. The Group has an attributable interest of 88% in this project.

As at 30 June 2012, total land bank of the Group is estimated available to build GFA of approximately 7,501,600 sq.m. (of which, 6,174,000 sq.m. are attributable to the Group, excluding non-controlling shareholders) in nine different cities in the PRC.



**SEGMENT INFORMATION****Property Sales and Development**

Sales performance of the Group was prominent alongside the marketing of a quality driven brand name. The Group's products continued to receive positive feedbacks from middle to high income level end-users of residential properties market.

With the various development projects of the Group in the penetrated cities started their sales programs respectively, property sales of the Group for the first half year increased tremendously against last corresponding period by HK\$3,768.5 million to a new record of HK\$8,009.2 million, that surpassed 2011's annual sales of HK\$7,687.0 million. This represented a saleable GFA of 514,036 sq.m. (2011: 203,319 sq.m.).

Property sales from major projects during the six months ended 30 June 2012:

<b>City</b>	<b>Name of project</b>	<b>Saleable GFA (sq.m.)</b>	<b>Amount (HK\$ Million)</b>
Guangzhou	The Oakwood	76,325	2,254.4
Beijing	Lagoon Manor	63,790	1,988.6
Hohhot	Royal East	35,178	346.5
	The Arch	94,125	818.5
	Dragon Cove	14,728	393.5
Hefei	The Great Hill	79,922	910.9
Yinchuan	International Community	69,418	541.8
Jilin	Royal East	36,415	238.8
	Royal Waterfront	7,478	121.2
Guilin/Nanning	The Chief Palace/ The Green Peak	29,176	238.2

**SEGMENT INFORMATION** *(continued)***Property Sales and Development** *(continued)*

As at 30 June 2012, 348,500 sq.m. of construction sites were completed (2011: 119,940 sq.m.) with about 80% of these sold out. Coupled with stock sales, recognized revenue increased to HK\$5,047.5 million (2011: HK\$1,981.0 million) while segment result soared to HK\$2,327.3 million (2011: HK\$1,168.4 million) as well mainly due to increase in sales volume and the stable profit margin.

Recognized revenue from major projects during the six months ended 30 June 2012:

City	Name of project	Saleable GFA (sq.m.)	Amount (HK\$ Million)
Guangzhou	The Oakwood	141,294	3,840.9
	Banyan Bay	2,732	71.8
Beijing	Lagoon Manor	33,118	1,011.4
Jilin	Royal East	10,543	80.9

In addition to the above, The Arch in Lanzhou had commenced the construction work during the period.

At period end date, properties under construction and stock of completed properties amounted to 2,071,473 sq.m. and 84,221 sq.m. respectively, totaling 2,155,694 sq.m.. Properties of 507,820 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

**Property Leasing**

For the period ended 30 June 2012, with increased rental rate for expired leases and thus a higher average rental rate, rental income increased to HK\$57.3 million (2011: HK\$48.0 million) with a segment profit of HK\$225.0 million (2011: HK\$190.2 million). The improvement includes a further upside fair value gain of HK\$187.4 million (2011: HK\$157.7 million) in respect of the investment properties and contribution from the jointly controlled entities of HK\$1.8 million (2011: HK\$1.2 million).

## SEGMENT INFORMATION *(continued)*

### Property Leasing *(continued)*

At period end, China Overseas International Center in Xicheng District, Beijing was 87% let while the occupancy rate for the scientific research office building in Zhang Jiang High-tech Zone in Shanghai was about 96%. The Group owns 100% and 65% of these projects respectively.

## ISSUANCE OF BONUS SHARES

The Group issued 760,746,631 bonus shares in June 2012 on the basis of issuance of one bonus share for every two existing shares after the approval at the annual general meeting held on 30 May 2012.

The number of shares of the Company in issue has increased to 2,282,239,894 at period end.

## FINANCIAL RESOURCES AND LIQUIDITY

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

In March 2012, the Group completed the issuance of HK\$2.2 billion 2.00% Guaranteed Convertible Bonds due 2017 (credit enhanced until 2015 with step down to zero coupon after 2015) that was listed in the Singapore Exchange Securities Trading Limited (the "Convertible Bonds"). Besides, the Group had obtained additional unsecured credit facilities of approximately HK\$1,719.2 million during the period from the financial institutions. While drawdowns of HK\$695.2 million from the credit facilities were largely offset by the repayments during the period, total borrowings (exclude the Convertible Bonds) remained comparable at HK\$4,016.9 million against last year end. Interest of such borrowings was charged at floating rates with a weighted average of 5.23% per annum. About 31.5% of such borrowings is repayable within one year.

Coupled with significant sales achieved during the period, cash and cash equivalents plus restricted cash and deposits were 146.9% higher at a total of HK\$6,979.5 million compared with the last financial year end (HK\$2,826.4 million). Accordingly, the Group was at a net cash position as at 30 June 2012 (net gearing ratio as at 31 December 2011: 22.9%).

## FINANCIAL RESOURCES AND LIQUIDITY *(continued)*

On the other hand, net working capital amounted to HK\$10,560.1 million as of 30 June 2012, (31 December 2011: HK\$7,101.8 million) with a quick ratio of 0.8 (31 December 2011: 0.5).

Taking into consideration of the unutilized bank credit facilities available to the Group of HK\$1,802.3 million, the Group's total available funds (including restricted cash and deposits of HK\$2,219.6 million) reached HK\$8,781.8 million as at 30 June 2012. The Group would regularly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.

## FOREIGN EXCHANGE EXPOSURE

As at 30 June 2012, about 46.6% and 53.4% of the Group's total borrowings (including the liability component of the Convertible Bonds) were denominated in Renminbi and Hong Kong Dollar respectively. As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in Renminbi for its PRC property development business, the management considered that a natural hedge mechanism existed. While the Group would closely monitor the volatility of the Renminbi exchange rate, the management assessed that the Group's risk exposure to foreign exchange rate fluctuations remained at acceptable range.

## CAPITAL COMMITMENTS AND GUARANTEE

As at 30 June 2012, the Group had capital commitments totaling HK\$8,539.7 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$3,414.0 million (equivalent to RMB2,783.0 million), mainly for facilitating end-user mortgages in connection with its PRC property sales as a usual commercial practice.

## CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK\$4.7 million approximately during this period, mainly referred to additions in motor vehicles, furniture, fixtures and office equipment.

On the other hand, as at 30 June 2012, certain property assets and trade receivables with an aggregate carrying value of HK\$2,066.2 million in the PRC were pledged to obtain HK\$429.3 million (equivalent to RMB350.0 million) of secured borrowings from certain PRC banks for the development projects.

## EMPLOYEES

As at 30 June 2012, the Group has approximately 579 employees (31 December 2011: 403). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition.

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2012 and the comparative figures for the corresponding period in 2011 are as follows:

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>5,137,466</b>	2,054,172
Cost of sales and services provided		<b>(2,564,863)</b>	(978,282)
Gross profit		<b>2,572,603</b>	1,075,890
Other income	6	<b>18,026</b>	14,093
Distribution and selling expenses		<b>(116,139)</b>	(48,987)
Administrative expenses		<b>(135,803)</b>	(89,198)
Other operating expenses		<b>(246)</b>	(815)
Other gains, net			
Fair value gain on reclassification of inventories of properties to investment properties		—	157,657
Fair value gain on investment properties		<b>187,359</b>	—
Reversal of impairment on assets, net		<b>1,413</b>	22,329
Gain on disposal of a subsidiary	18	—	213,340
Others		—	15,915
<b>Operating profit</b>		<b>2,527,213</b>	1,360,224
Finance costs	7	<b>(7,829)</b>	(12,882)
Share of results of jointly controlled entities		<b>1,784</b>	1,100
<b>Profit before income tax</b>	8	<b>2,521,168</b>	1,348,442
Income tax expense	9	<b>(1,177,202)</b>	(547,912)
<b>Profit for the period</b>		<b>1,343,966</b>	800,530
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		<b>1,300,619</b>	803,707
Non-controlling interests		<b>43,347</b>	(3,177)
		<b>1,343,966</b>	800,530
		<b>HK Cents</b>	HK Cents (Restated)
<b>Earnings per share</b>	11		
Basic		<b>57.0</b>	38.8
Diluted		<b>53.5</b>	35.4

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Profit for the period</b>	<b>1,343,966</b>	800,530
<b>Other comprehensive income</b>		
Exchange difference arising on translation		
— subsidiaries	(41,561)	80,976
— jointly controlled entities	(409)	5,342
	<b>(41,970)</b>	86,318
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	(4,360)	(8,305)
Tax effect	1,553	3,125
	<b>(2,807)</b>	(5,180)
<b>Other comprehensive income for the period, net of tax</b>	<b>(44,777)</b>	81,138
<b>Total comprehensive income for the period</b>	<b>1,299,189</b>	881,668
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	1,257,960	881,458
Non-controlling interests	41,229	210
	<b>1,299,189</b>	881,668

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		2,060,006	1,883,563
Property, plant and equipment	12	38,858	27,847
Prepaid lease rental on land		5,467	1,970
Goodwill		46,903	70,475
Other intangible assets		34,482	37,065
Interests in jointly controlled entities		74,667	73,292
Deferred tax assets		379,280	294,656
		<b>2,639,663</b>	<b>2,388,868</b>
<b>Current assets</b>			
Inventories of properties		13,265,886	12,392,881
Other inventories		913	879
Trade and other receivables, prepayments and deposits	13	1,529,366	1,903,391
Prepaid lease rental on land		173	52
Amounts due from jointly controlled entities		45,388	49,340
Amounts due from non-controlling interests		11,899	11,965
Tax prepaid		91,736	108,290
Restricted cash and deposits		2,219,594	805,204
Cash and cash equivalents		4,759,911	2,021,223
		<b>21,924,866</b>	<b>17,293,225</b>



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

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	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	14	2,381,876	2,172,589
Sales deposits received		4,156,225	3,786,608
Amount due to a jointly controlled entity		244	246
Amount due to non-controlling interests		712,723	573,172
Consideration payable for acquisition of a subsidiary		—	78,327
Taxation liabilities		2,849,736	2,193,409
Borrowings	15	1,263,983	1,387,066
		<b>11,364,787</b>	10,191,417
<b>Net current assets</b>		<b>10,560,079</b>	7,101,808
<b>Total assets less current liabilities</b>		<b>13,199,742</b>	9,490,676
<b>Non-current liabilities</b>			
Borrowings	15	2,752,879	2,615,641
Convertible bonds	16	1,603,352	—
Deferred tax liabilities		1,476,264	1,443,005
		<b>5,832,495</b>	4,058,646
<b>Net assets</b>		<b>7,367,247</b>	5,432,030
<b>Capital and reserves</b>			
Share capital	17	22,822	15,215
Reserves		6,886,234	5,130,792
Equity attributable to owners of the Company		<b>6,909,056</b>	5,146,007
Non-controlling interests		458,191	286,023
<b>Total equity</b>		<b>7,367,247</b>	5,432,030

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Convertible bonds equity reserve	Translation reserve	Assets revaluation reserve	Statutory reserve	Other reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2011	7,675	682,584	44,822	–	160,924	55,997	70,609	835,865	816,938	2,675,414	122,865	2,798,279	
Net profit/(loss) for the period	–	–	–	–	–	–	–	–	803,707	803,707	(3,177)	800,530	
Other comprehensive income	–	–	–	–	82,931	(5,180)	–	–	–	77,751	3,387	81,138	
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>82,931</b>	<b>(5,180)</b>	<b>–</b>	<b>–</b>	<b>803,707</b>	<b>881,458</b>	<b>210</b>	<b>881,668</b>	
2010 final dividend paid (note 10)	–	–	–	–	–	–	–	–	(101,433)	(101,433)	–	(101,433)	
Conversion of consideration payable for acquisition of non-controlling interests	–	–	–	–	–	–	–	557,669	–	557,669	–	557,669	
Issue of new shares (note 17(i))	2,468	1,236,721	–	–	–	–	–	(1,239,189)	–	–	–	–	
Share issue expenses (note 17(i))	–	(63)	–	–	–	–	–	–	–	(63)	–	(63)	
Contribution from non-controlling interests of a new subsidiary	–	–	–	–	–	–	–	–	–	–	46,329	46,329	
<b>Transactions with owners</b>	<b>2,468</b>	<b>1,236,658</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(681,520)</b>	<b>(101,433)</b>	<b>456,173</b>	<b>46,329</b>	<b>502,502</b>	
At 30 June 2011 (Unaudited)	10,143	1,919,242	44,822	–	243,855	50,817	70,609	154,345	1,519,212	4,013,045	169,404	4,182,449	
<b>At 1 January 2012</b>	<b>15,215</b>	<b>1,914,012</b>	<b>44,822</b>	<b>–</b>	<b>356,412</b>	<b>59,669</b>	<b>306,970</b>	<b>154,345</b>	<b>2,294,562</b>	<b>5,146,007</b>	<b>286,023</b>	<b>5,432,030</b>	
Net profit for the period	–	–	–	–	–	–	–	–	1,300,619	1,300,619	43,347	1,343,966	
Other comprehensive income	–	–	–	–	(39,852)	(2,807)	–	–	–	(42,659)	(2,118)	(44,777)	
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(39,852)</b>	<b>(2,807)</b>	<b>–</b>	<b>–</b>	<b>1,300,619</b>	<b>1,257,960</b>	<b>41,229</b>	<b>1,299,189</b>	
2011 final dividend paid (note 10)	–	–	–	–	–	–	–	–	(76,075)	(76,075)	–	(76,075)	
Issue of Convertible Bonds (note 16)	–	–	–	581,196	–	–	–	–	–	581,196	–	581,196	
Bonus Share Issue 2012 (note 17(iii))	7,607	(7,607)	–	–	–	–	–	–	–	–	–	–	
Share issue expenses (note 17(iii))	–	(32)	–	–	–	–	–	–	–	(32)	–	(32)	
Contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	130,939	130,939	
<b>Transactions with owners</b>	<b>7,607</b>	<b>(7,639)</b>	<b>–</b>	<b>581,196</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(76,075)</b>	<b>505,089</b>	<b>130,939</b>	<b>636,028</b>	
At 30 June 2012 (Unaudited)	22,822	1,906,373	44,822	581,196	316,560	56,862	306,970	154,345	3,519,106	6,909,056	458,191	7,367,247	

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Net cash generated from operating activities</b>		<b>1,979,412</b>	<b>772,080</b>
<b>Investing activities</b>			
Interest received		15,277	13,390
Settlement of consideration payable on acquisition of a subsidiary		(78,327)	—
Purchase of property, plant and equipment	12	(4,735)	(2,908)
Proceeds on disposal of property, plant and equipment		—	23,519
Proceeds on disposal of investment properties		—	11,264
Proceeds on disposal of a subsidiary	18	—	213,340
Increase in restricted cash and deposits		(1,418,829)	(549,312)
<b>Net cash used in investing activities</b>		<b>(1,486,614)</b>	<b>(290,707)</b>
<b>Financing activities</b>			
Increase in amounts due to non-controlling interests		142,711	369,119
New bank borrowings and other loan		695,248	1,579,725
Repayment of bank borrowings and other loan		(665,995)	(719,095)
Dividends paid		(76,075)	(101,433)
Proceeds from issue of convertible bonds, net	16	2,139,614	—
Interest paid		(112,506)	(133,728)
Share issue expenses	17(i) and (iii)	(32)	(63)
Contributions from non-controlling interests of subsidiaries		130,939	46,329
<b>Net cash generated from financing activities</b>		<b>2,253,904</b>	<b>1,040,854</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,746,702</b>	<b>1,522,227</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>2,021,223</b>	<b>1,890,555</b>
<b>Effect of foreign exchange rate change, on cash held</b>		<b>(8,014)</b>	<b>39,005</b>
<b>Cash and cash equivalents at end of period</b>		<b>4,759,911</b>	<b>3,451,787</b>

## 1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the “Company”) is a limited liability company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office and principal place of business is Suite 3012, 30th Floor, One Pacific Place, 88 Queensway, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) mainly comprise property investment and development, property leasing and investment holding. The Group’s business activities are principally carried out in Beijing, Guangzhou, Ganzhou, Guilin, Hefei, Hohhot-Inner Mongolia, Jilin, Lanzhou, Nanning, Yinchuan and other regions in the PRC.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2012 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 2 August 2012.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Save as described below and in note 3 “Adoption of new and revised HKFRSs”, the accounting policies used in preparing the Interim Financial Statements are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

### **Convertible Bonds**

The convertible bonds of HK\$2,200 million issued by the Group contain liability and conversion option. As the convertible bonds can be converted to equity share capital at the option of the bondholders, where the number of share that would be issued on conversion and the value of consideration would be received at that time do not vary, they accounted for as compound financial instruments.

On initial recognition, allocation of the total proceeds between the liability and conversion option are made on relative fair value basis. The liability component of the convertible bonds is determined using a market rate for an equivalent non-convertible bond with bondholder’s redemption option. The equity component of the convertible bonds is then the residual after deducting fair value of liability from the proceeds allocated to the convertible bonds. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried as a long-term liability on the amortized cost basis until extinguished on conversion or redemption. Interest expenses recognized in profit or loss (save as otherwise capitalized as stipulated under *HKAS 23 (Revised) ‘Borrowing Cost’*) on the liability component are calculated using effective interest method. The equity component is recognized in convertible bond equity reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the convertible bond equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bond equity reserve is released directly to retained profits.

### 3. ADOPTION OF NEW AND REVISED HKFRSs

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

#### **New/Revised HKFRSs that have been issued but not yet effective**

The following new standards and amendments to standards, potentially relevant to the Group's financial statements, have been issued, but are not yet effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group.

- *HKFRS 9 'Financial instruments'* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The new requirements affect the accounting for financial assets and also the financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from *HKAS 39 'Financial instruments: Recognition and measurement'* and have not been changed.
- *HKFRS 10 'Consolidated financial statements'* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- *HKFRS 12 'Disclosure of interests in other entities'* integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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

- HKFRS 13 'Fair value measurements'* provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with *HKFRS 7 'Financial Instruments: Disclosures'*. *HKFRS 13 'Fair value measurements'* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. *HKFRS 13* can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs.

### 4. REVENUE

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Sales of properties	<b>5,047,489</b>	1,981,034
Property rental income	<b>57,336</b>	47,980
Property management fee income	<b>32,641</b>	25,158
<b>Total revenue</b>	<b>5,137,466</b>	2,054,172

## 5. SEGMENT INFORMATION

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

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

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

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

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



5. SEGMENT INFORMATION *(continued)*

	Property investment and development HK\$'000	Property leasing HK\$'000	Other segment HK\$'000	Consolidated HK\$'000
<b>Six months ended</b>				
<b>30 June 2012 (Unaudited)</b>				
Reportable segment revenue*	5,047,489	57,336	32,641	5,137,466
Reportable segment profit/(loss)	2,327,285	224,963	(2,136)	2,550,112
Corporate income				3,399
Corporate expenses				(32,343)
Profit before income tax				2,521,168
<b>Six months ended</b>				
<b>30 June 2011 (Unaudited)</b>				
Reportable segment revenue*	1,981,034	47,980	25,158	2,054,172
Reportable segment profit	1,168,424	190,218	991	1,359,633
Corporate income				227
Corporate expenses				(11,418)
Profit before income tax				1,348,442
<b>As at 30 June 2012 (Unaudited)</b>				
Reportable segment assets	19,586,272	2,657,315	33,656	22,277,243
Corporate assets				2,287,286
Total consolidated assets				24,564,529
<b>As at 31 December 2011</b>				
<b>(Audited)</b>				
Reportable segment assets	16,939,871	2,232,440	64,169	19,236,480
Corporate assets				445,613
Total consolidated assets				19,682,093

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

**5. SEGMENT INFORMATION** *(continued)*

During the six months ended 30 June 2012, the Group recognized a fair value gain on investment properties of HK\$187,359,000 (for the six months ended 30 June 2011, the Group reclassified certain inventories of properties with carrying value of HK\$95,715,000 as investment properties and recognized a fair value gain of HK\$157,657,000 on the date of reclassification). The fair value gain is reported under the segment of "Property leasing".

**6. OTHER INCOME**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income on:		
Bank deposits	<b>13,860</b>	11,812
Amounts due from a jointly controlled entity	<b>1,417</b>	1,578
Total interest income on financial assets not at fair value through profit or loss	<b>15,277</b>	13,390
Sundry income	<b>2,749</b>	703
	<b>18,026</b>	14,093

**7. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest charges on:		
Bank borrowings and overdrafts	<b>106,231</b>	67,440
Other loans	<b>6,275</b>	14,422
Imputed interest expense on consideration payable for acquisition of non-controlling interests	—	51,866
Imputed interest expense on Convertible Bonds (note 16)	<b>44,934</b>	—
Total interest expense on financial liabilities not at fair value through profit or loss	<b>157,440</b>	133,728
Less: Amount capitalized in properties under development	<b>(149,611)</b>	(120,846)
	<b>7,829</b>	12,882

## 8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	26	37
Other intangible assets <sup>#</sup>	2,385	2,306
Depreciation of property, plant and equipment	3,196	2,343
<b>Total amortization and depreciation</b>	<b>5,607</b>	4,686
Reversal of impairment on financial assets:		
— Loans and receivables*	(8,233)	(12,814)
Impairment/(Reversal of impairment loss) on non-financial assets:		
— Goodwill* (note)	19,122	—
— Other assets*	(12,302)	(9,515)
Net foreign exchange loss/(gain)**	(1,377)	1,301

<sup>#</sup> included in "Cost of sales and services provided" in the condensed consolidated income statement

\* included in "Reversal of impairment on assets, net" in the condensed consolidated income statement

\*\* included in "Administrative expenses" in the condensed consolidated income statement

Note: As at 30 June 2012, due to the properties of relevant project companies are nearly sold out and the management has no future plan on these project companies, the recoverable amount of these project companies as separate cash-generating units fell below their carrying amounts. Based on the results of the impairment testing, impairment loss of HK\$19,122,000 (six months ended 30 June 2011: Nil) was recognized for the project companies and the entire amounts of the impairment loss are fully allocated to the goodwill attributed to that cash-generating units.

**9. INCOME TAX EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Income tax expense comprise:		
Current tax for the period		
PRC – Enterprise income tax (“EIT”)	<b>587,480</b>	237,609
PRC – Land appreciation tax (“LAT”)	<b>634,953</b>	277,150
	<b>1,222,433</b>	514,759
Under provision in prior year		
PRC – EIT	–	1,612
Deferred tax	<b>(45,231)</b>	31,541
	<b>1,177,202</b>	547,912

For the six months ended 30 June 2012, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profits in Hong Kong for the period (six months ended 30 June 2011: Nil).

EIT arising from other regions of the PRC is calculated at 25% on the estimated assessable profits (six months ended 30 June 2011: 10% to 25%).

PRC LAT is levied at progressive rates from 30% to 60% (six months ended 30 June 2011: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

**10. DIVIDENDS**

The Board has declared that an interim dividend of HK\$0.05 (six months ended 30 June 2011: Nil) per share, amounting to HK\$114,112,000 (six months ended 30 June 2011: Nil), will be paid to the shareholders of the Company whose names appear in the Register of Members on 28 August 2012.

During the period, a dividend of HK\$0.05 (six months ended 30 June 2011: HK\$0.10 in respect of the financial year ended 31 December 2010) per share, amounting to HK\$76,075,000 (six months ended 30 June 2011: HK\$101,433,000) was paid to shareholders as the final dividend for the financial year ended 31 December 2011.

**11. EARNINGS PER SHARE**

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

**Earnings**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings used in calculating basic earnings per share	<b>1,300,619</b>	803,707
Adjustment to the profit of the Group — imputed interest on Convertible Bonds (2011: imputed interest on consideration payable for acquisition of non-controlling interests)	<b>345</b>	4,550
Earnings used in calculating diluted earnings per share	<b>1,300,964</b>	808,257

**11. EARNINGS PER SHARE** *(continued)***Weighted average number of ordinary shares (note)**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>'000</b>	'000
		(Restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>2,282,240</b>	2,071,437
Effect of dilutive potential ordinary shares — issuance of shares for conversion of Convertible Bonds (2011: for acquisition of non-controlling interests)	<b>147,590</b>	210,803
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>2,429,830</b>	2,282,240

Note: The weighted average number of ordinary shares used in calculating the basic earnings per share and diluted earnings per share is adjusted for the Bonus Share Issue 2011 and the Bonus Share Issue 2012 (as defined and disclosed in note 17(ii) and (iii) respectively) as if both of the bonus share issues had occurred on 1 January 2011.

**12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2012, the Group incurred capital expenditure of approximately HK\$3,275,000 (six months ended 30 June 2011: HK\$886,000) in motor vehicles and approximately HK\$1,460,000 (six months ended 30 June 2011: HK\$2,022,000) in furniture, fixtures and office equipment. In addition, the Group transferred certain inventories of properties with carrying value of HK\$9,606,000 (six months ended 30 June 2011: Nil) to land and buildings under property, plant and equipment.

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

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Trade receivables	<b>3,209</b>	15,953
Less: Impairment of trade receivables	<b>(642)</b>	(8,777)
Trade receivables, net	<b>2,567</b>	7,176
Other receivables	<b>123,242</b>	94,456
Prepayments and deposits	<b>1,403,557</b>	1,801,759
	<b>1,529,366</b>	1,903,391

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

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
30 days or below	—	4,348
91–180 days	<b>2,526</b>	2,828
181–360 days	<b>41</b>	—
	<b>2,567</b>	7,176

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



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

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

The Group has minimal trade receivables balances which are past due but not impaired as at the reporting date.

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

Certain amount of trade receivable are pledged as further detailed in note 19.

### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Trade payables	<b>1,906,989</b>	1,772,625
Other payables and accruals	<b>370,065</b>	345,191
Deposit received	<b>104,822</b>	54,773
	<b>2,381,876</b>	2,172,589

**14. TRADE AND OTHER PAYABLES** *(continued)*

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

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
30 days or below	<b>436,354</b>	819,554
31–60 days	<b>237,935</b>	118,503
61–90 days	<b>33,814</b>	21,141
91–180 days	<b>592,833</b>	241,500
181–360 days	<b>445,073</b>	243,528
Over 360 day	<b>160,980</b>	328,399
	<b>1,906,989</b>	1,772,625

**15. BORROWINGS**

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
<b>Current liabilities</b>		
Bank borrowings	<b>1,263,983</b>	1,066,356
Other loan	—	320,710
	<b>1,263,983</b>	1,387,066
<b>Non-current liabilities</b>		
Bank borrowings	<b>2,752,879</b>	2,615,641
	<b>2,752,879</b>	2,615,641
	<b>4,016,862</b>	4,002,707

**15. BORROWINGS** *(continued)*

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Analysis into:		
Bank borrowings (note (i))		
Secured (note 19)	<b>429,345</b>	431,725
Unsecured	<b>3,587,517</b>	3,250,272
	<b>4,016,862</b>	3,681,997
Other loan (note (ii))		
Unsecured	—	320,710
	<b>4,016,862</b>	4,002,707

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

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Carrying amount at the beginning of the period/year	<b>4,002,707</b>	2,247,500
Translation adjustment	<b>(15,098)</b>	122,781
New bank borrowings raised	<b>695,248</b>	2,943,792
Repayment of bank borrowings and other loan	<b>(665,995)</b>	(1,311,366)
Carrying amount at the end of the period/year	<b>4,016,862</b>	4,002,707

**15. BORROWINGS** *(continued)*

Notes:

## (i) Bank borrowings

The maturity profile of bank borrowings is as follows:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
<b>Current liabilities</b>		
Portion of term loans due for repayment within one year	<b>1,263,983</b>	1,066,356
<b>Non-current liabilities</b>		
Term loans due for repayment after one year		
After one year but within two years	<b>1,512,247</b>	1,429,861
After two year but within five years	<b>1,105,695</b>	1,019,258
After five years	<b>134,937</b>	166,522
	<b>2,752,879</b>	2,615,641
	<b>4,016,862</b>	3,681,997

The bank borrowings as at 30 June 2012 were arranged at floating rates of 1.90% to 7.59% per annum (at 31 December 2011: 1.88% to 7.76% per annum).

## (ii) Other loan

Other loan as at 31 December 2011 represented a loan obtained from a financial institution in the PRC, which was arranged at the floating rate of 6.40% per annum and was fully repaid during the six months ended 30 June 2012. As at 31 December 2011, other loan was classified as current liabilities in the condensed consolidated statement of financial position and was wholly due for repayment within one year.

**15. BORROWINGS** *(continued)*Notes: *(continued)*

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

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Hong Kong Dollar	<b>1,400,000</b>	1,150,000
Renminbi ("RMB")	<b>2,616,862</b>	2,852,707
	<b>4,016,862</b>	4,002,707

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

**16. CONVERTIBLE BONDS**

On 13 March 2012, the Company and China Overseas Grand Oceans Finance (Cayman) Limited, a wholly owned subsidiary of the Company incorporated in the Cayman Islands (the "Issuer") entered into a subscription agreement (the "Subscription Agreement") with lead managers, under which the lead managers conditionally agreed severally to subscribe and pay for the convertible bonds to be issued by the Issuer in an aggregate principal amount of HK\$2,200,000,000 (the "Convertible Bonds"). The completion of the Subscription Agreement took place and the Convertible Bonds were issued on 21 March 2012.

The Convertible Bonds will have the benefit of an irrevocable standby letter of credit issued in favour of the trustee, on behalf of the bondholders, by a bank. The Company, as a guarantor with reference to the letter of credit facility agreement, irrevocably and unconditionally undertakes with the bank for any amount incurred in relation to the standby letter of credit (note 21). Subject to certain exceptions, the irrevocable standby letter of credit shall expire on the date falling three years and thirty days after 21 March 2012.

**16. CONVERTIBLE BONDS** *(continued)*

The Issuer will, at the option of any bondholder, redeem all or some only of such bondholder's Convertible Bonds on 21 March 2015 at 100% of their principal amount.

The Convertible Bonds bear interest from and including 21 March 2012 up to but excluding 21 March 2015 at the rate of 2.00% per annum of the principal amount of the Convertible Bonds. Interest is repayable semi-annually in arrear on 21 March and 21 September commencing on 21 September 2012. After 21 March 2015 or after the conversion rights of the Convertible Bonds have been exercised, the Convertible Bonds will not bear any interest.

The Convertible Bonds are convertible in the circumstances set out in the terms and conditions at any time on or after 21 March 2014 up to the close of business on the seventh day prior to 21 March 2017 (the "Maturity Date") by the bondholders into ordinary shares of HK\$0.01 each in the issued share capital in the Company at an initial conversion price of HK\$12.532 per share (subject to adjustments as set out in the Subscription Agreement, including consolidation, subdivision or reclassification, capitalization of profit or reserves, capital distributions, right issues of shares or options over share, rights issues of other securities, issues at less than 92% of the current market price; other issues at less than 92% of the current market price; modification of rights of conversion and other offers to the shareholders).

As at 30 June 2012, assuming full conversion of the Convertible Bonds at the adjusted conversion price of HK\$8.354 per share (see note below), the Convertible Bonds will be convertible into approximately 263,346,900 ordinary shares of the Company. Those shares shall rank *pari passu* in all respects with all other existing shares outstanding at the date of the conversion.

**16. CONVERTIBLE BONDS** *(continued)*

On or at any time after 21 March 2015 but not less than seven business days prior to the Maturity Date, the Issuer may, having given not less than 10 nor more than 15 days' notice to the bondholders which notice shall be irrevocable, mandatorily convert the Convertible Bonds in whole, but not in part, into shares at the then prevailing conversion price provided that no such conversion may be made unless the closing price for each of 20 consecutive trading days ending on a date which is no more than three business days immediately prior to the date upon which notice of such conversion is given was at least 130% of the applicable conversion price.

Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Convertible Bonds at 100% of its principal amount on the Maturity Date.

Further details regarding the issue of the Convertible Bonds have been set out in the announcements of the Company dated 14 March 2012 and 21 March 2012.

On initial recognition, the fair value of the liability component of the Convertible Bonds is determined using the prevailing market interest of similar non-convertible bond with bondholder's redemption option. The difference between the fair value of the Convertible Bonds and the fair value assigned to the liability component, representing the option for conversion of the convertible bonds into equity, is included in equity as convertible bonds equity reserve. The effective interest rate of the liability component is 9.30%.

**16. CONVERTIBLE BONDS** *(continued)*

The movement of the liability and equity components of the Convertible Bonds is set out as below:

	Liability component (Unaudited) HK\$'000	Equity component (Unaudited) HK\$'000
Fair value on initial recognition	1,610,103	589,897
Direct transaction costs	(51,685)	(8,701)
	1,558,418	581,196
Imputed interest expenses (note 7)	44,934	—
Carrying amount as at 30 June 2012	1,603,352	581,196

The net proceeds from the issue of the Convertible Bonds after the direct transaction costs of HK\$60,386,000 is HK\$2,139,614,000.

The Convertible Bonds are listed in the Singapore Exchange Securities Trading Limited. As at 30 June 2012, with reference to the average quotation of the Convertible Bonds published by a leading global financial market data provider, the approximate fair value of the Convertible Bonds was HK\$2,279,750,000.

Note: As at 30 June 2012, the conversion price presented herewith has been adjusted from HK\$12.532 per share to HK\$8.354 per share for the Bonus Share Issue 2012 (as defined and disclosed in note 17(iii)) as the Bonus Share Issue 2012 had been effective from 6 June 2012.



**17. SHARE CAPITAL**

	Par value per share HK\$	Number of shares '000	Nominal value HK\$'000
<b>Authorized</b>			
Balance at 1 January 2011 (Audited), 31 December 2011 (Audited) and 30 June 2012 (Unaudited)	<b>0.01</b>	<b>45,000,000</b>	<b>450,000</b>
<b>Issued and fully paid</b>			
Balance at 1 January 2011 (Audited)	0.01	767,543	7,675
Issue of new shares (note (i))	0.01	246,786	2,468
Bonus Share Issue 2011 (note (ii))	0.01	507,164	5,072
Balance at 31 December 2011 (Audited) and 1 January 2012 (Audited)	<b>0.01</b>	<b>1,521,493</b>	<b>15,215</b>
Bonus Share Issue 2012 (note (iii))	<b>0.01</b>	<b>760,747</b>	<b>7,607</b>
Balance at 30 June 2012 (Unaudited)	<b>0.01</b>	<b>2,282,240</b>	<b>22,822</b>

Notes:

- (i) Pursuant to the acquisition agreement dated 2 November 2010, in relation to the acquisition of 30% equity interest in Pan China Land (Holdings) Corporation, which was an indirect non-wholly owned subsidiary of the Company, the Company issued 189,493,000 and 57,293,000 new ordinary shares on 22 February 2011 and 5 May 2011 respectively to settle the consideration shares. Details of the transactions are set out in the Company's circular dated 26 November 2010. The related share issue expenses amount to HK\$63,000.

**17. SHARE CAPITAL** *(continued)*

Notes: *(continued)*

- (ii) On 2 August 2011, the directors of the Company recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every two existing shares of the Company in issue (the "Bonus Share Issue 2011"). The proposed Bonus Share Issue 2011 was approved by the shareholders of the Company at the extraordinary general meeting on 26 August 2011. Immediately after the Bonus Share Issue 2011, the issued share capital of the Company becomes approximately HK\$15,215,000 divided into approximately 1,521,493,000 ordinary shares of HK\$0.01 each by the creation of additional approximately 507,164,000 ordinary shares. The bonus shares had been credited as fully paid by way of capitalization of an amount of approximately HK\$5,072,000 in the share premium account of the Company. The related share issue expenses amounted to HK\$158,000. The bonus shares rank *pari passu* in all respects with the existing shares of the Company.
  
- (iii) On 28 February 2012, the directors of the Company recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every two existing shares of the Company in issue (the "Bonus Share Issue 2012"). The proposed Bonus Share Issue 2012 was approved by the shareholders of the Company at the annual general meeting on 30 May 2012. Immediately after the Bonus Share Issue 2012, the issued share capital of the Company becomes approximately HK\$22,822,000 divided into approximately 2,282,240,000 ordinary shares of HK\$0.01 each by the creation of additional approximately 760,747,000 ordinary shares. The bonus shares had been credited as fully paid by way of capitalization of an amount of approximately HK\$7,607,000 in the share premium account of the Company. The related share issue expenses amounted to HK\$32,000. The bonus shares rank *pari passu* in all respects with the existing shares of the Company (except that they are not entitled to the final dividend for the year ended 31 December 2011).

The share capital of the Company at the end of reporting period comprises only of fully paid ordinary shares with a par value of HK\$22,822,000 (as at 31 December 2011: HK\$15,215,000). All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

**18. DISPOSAL OF A SUBSIDIARY**

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

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

**18. DISPOSAL OF A SUBSIDIARY** *(continued)*

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

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

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

**19. PLEDGE OF ASSETS**

At the end of the reporting period, the carrying amount of the assets pledged by the Group to secure general bank borrowings facilities granted to the Group are analyzed as follows:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Land and buildings classified under, property, plant and equipment	<b>11,085</b>	11,357
Investment properties	<b>2,055,091</b>	1,878,621
Trade receivables	—	989
	<b>2,066,176</b>	1,890,967

## 20. COMMITMENTS

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

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Contracted for but not provided for in the financial statements:		
– Acquisition of land	<b>1,586,229</b>	600,546
– Property development	<b>4,289,812</b>	2,667,121
Authorized but not contracted for:		
– Investment in equity interest	<b>–</b>	179,598
– Acquisition of land	<b>2,663,632</b>	3,232,204

## 21. GUARANTEES

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

	THE GROUP		THE COMPANY	
	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Guarantees given to:				
Bank for a term loan facility granted to a subsidiary	–	–	<b>250,000</b>	400,000
Bank for a standby letter of credit facility granted to a subsidiary (note 16)	–	–	<b>2,235,000</b>	–
Bank for mortgage loans granted to purchasers of certain subsidiaries' properties	<b>3,413,953</b>	2,969,355	–	–

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

**22. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>Nature of transactions</b>		
<b>COLI (note (i)) and its subsidiaries</b>		
Royalty expenses	<b>51,427</b>	20,542
Property management fees expenses	<b>2,142</b>	—
Rental income	<b>7,674</b>	—
<b>CSCECL (note (ii)) and its subsidiaries</b>		
Property construction costs	<b>352,763</b>	40,948
<b>PRC government departments/authorities</b>		
Land use rights acquisitions	<b>1,360,535</b>	1,833,579
<b>Key management (including directors)</b>		
Remuneration	<b>4,141</b>	3,105

Notes:

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

### **Interim Dividend**

After reviewing the interim result performance for the six months ended 30 June 2012 and working capital requirements for the Group's future expansion of its business, the Board declared an interim dividend of HK\$0.05 per share (2011: Nil) which will be payable on 9 October 2012 to the members of the Company registered as at the close of business on 28 August 2012.

The Register of Members of the Company will be closed on 28 August 2012 during which time no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 August 2012.

### **Share Capital**

The Company's total issued share capital as at 30 June 2012 was 2,282,239,894 ordinary shares of HK\$0.01 each.

### **Model Code for Securities Transactions**

The Company has adopted Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct for dealings in securities of the Company by the Directors (the "Model Code"). Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

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

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

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

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

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



### Information on Share Option Scheme of the Company (Continued)

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

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

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

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

As at 30 June 2012, the Directors and the Chief Executives of the Company had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### Long Positions in shares of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Mr. Hao Jian Min	Beneficial owner	Personal	4,950,000	4,950,000	0.22%
Mr. Yung Kwok Kee, Billy	Beneficial owner Beneficiary of a trust (Note 2)	Personal Other	17,849,999 398,827,688	416,677,687	18.26%
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	443,250	443,250	0.02%

**Directors' and Chief Executives' Interests in Securities** *(continued)**Long Positions in shares of the Company (continued)*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or Chief Executive of the Company or their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and Chief Executive of the Company (including their spouses and children under the age of 18) had, as at 30 June 2012, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Notes:

- (1) The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2012 (i.e. 2,282,239,894 shares).
- (2) These shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.

### Substantial Shareholders' Interests in Securities

As at 30 June 2012, the following persons (other than Directors or the Chief Executive of the Company) were interested in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation (Note 2)	Interest in controlled corporation	866,700,549	866,700,549	37.98%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 3)	Beneficial	225,894,069	225,894,069	9.90%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 3)	Beneficial	156,698,369	156,698,369	6.87%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts (Note 3)	Other	398,827,688	398,827,688	17.48%
Kentrise Company Inc.	Beneficial owner (Note 4)	Beneficial	168,000,000	168,000,000	7.36%
Mr. Cheng Yang	Interest of controlled corporation (Note 4)	Interest in controlled corporation	168,000,000	168,000,000	7.36%
Mr. Wang Tao Guang	Beneficial owner	Beneficial	225,883,775	225,883,775	9.90%

**Substantial Shareholders' Interests in Securities** *(Continued)*

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the Chief Executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2012.

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2012 (i.e. 2,282,239,894 shares).
2. CSCEC is interested in 866,700,549 shares which comprises of 833,531,049 shares held by Star Amuse Limited ("Star Amuse") and 33,169,500 shares held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of China Overseas Land & Investment Limited ("COLI") which in turn is a non-wholly owned subsidiary of China Overseas Holdings Limited ("COHL"). COHL is a subsidiary of CSCECL which in turn is a non-wholly owned subsidiary of CSCEC.
3. 398,827,688 shares held by UBS TC (including 225,894,069 shares and 156,689,369 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his family members as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.
4. Kentrise Company Inc. is beneficially wholly owned by Mr. Cheng Yang.

## Corporate Governance

The Company always strives to raise the standard of its corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximise the value of our shareholders as a whole.

Except for the deviations from codes A.4.1, A.6.7 and D.1.4, the Company has applied the corporate governance principles and complied with all the code provisions (where applicable, most of the recommended best practices) set out in Appendix 14 to the Listing Rules ("CG Codes") for the six months ended 30 June 2012.

CG Codes A.4.1 and D.1.4 stipulate that non-executive Directors should be appointed for a specific term and directors should have formal letters of appointment. The non-executive Directors of the Company are not appointed for a specific term and do not have a formal letters of appointment but they are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

In addition to the above deviations, the Company has not complied with CG Code A.6.7 which requires the independent non-executive Directors to attend the general meeting. Due to an overseas engagement, Dr. Timpson Chung Shui Ming, one of the independent non-executive Directors, was unable to attend general meeting of the Company held on 30 May 2012. However, all other independent non-executive Directors were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

**Disclosure Pursuant to Rule 13.21 of the Listing Rules**

On 15 March 2012, the Company entered into the Letter of Credit Facility Agreement in relation to the standby letter of credit issued to the trustee in an amount up to HK\$2,235,000,000 as part of the credit-enhancement or guarantee arrangement for the Convertible Bonds. Subject to certain exceptions, the standby letter of credit shall expire on the date falling three years and thirty days after 21 March 2012.

The Letter of Credit Facility Agreement includes, inter alia, covenants to the effect that COLI shall beneficially own not less than 30% of the issued share capital of the Company. A breach of such covenants will constitute an event of default under the Letter of Credit Facility Agreement.

As at the date of this interim report, COLI owns approximately 37.98% of the entire issued share capital of the Company.

**Changes in Directors' Information**

Changes in directors' information since the date of the 2011 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules, are set out below:

<b>Name of director</b>	<b>Details of changes</b>
Mr. Chen Bin	<ul style="list-style-type: none"><li>Resigned as non-executive director of COLI effective from 16 March 2012</li></ul>

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2012.

**Shares Issued**

With approval of the shareholders at the annual general meeting of the Company held on 30 May 2012, the Company issued bonus shares on the basis of one bonus share for every two existing shares in issue on 5 June 2012, the bonus issue record date. As at 5 June 2012, there were 1,521,493,263 shares in issue and accordingly the number of bonus shares issued was 760,746,631. The bonus shares, which rank *pari passu* in all respects with the shares then existing, (except that they are not entitled to the final dividend for the year ended 31 December 2011), were credited as fully paid by way of capitalization of an amount equal to the total par value of the bonus shares standing to the credit of the reserve account of the Company. For the six months ended 30 June 2012, an amount of approximately HK\$7,607,466 was transferred from the reserve account to share capital accordingly. For details of the bonus shares issue, please refer to the circular dated 20 March 2012 and the announcement dated 28 February 2012 published by the Company.

**Review of Interim Report by Audit Committee**

The Audit Committee of the Board of Directors has reviewed the Company's unaudited interim results for the six months ended 30 June 2012, and discussed with the Company's management regarding auditing, internal control and other important matters.





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