



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

Stock Code 股份代號: 00688



Exercise caution in  
details and implementation  
Build a strong foundation  
to seek greater success  
慎微篤行 精築致遠



1993-2012  
中國海外發展上市20年  
00688.HK

Interim Report 2012 中期報告

## 目錄

2	公司業務架構
3	財務摘要
4	董事局及委員會
5	公司及股東資料
6	主席報告書
12	管理層討論與分析
19	簡明綜合收益表
20	簡明綜合全面收益表
21	簡明綜合財務狀況表
23	簡明綜合現金流量表
24	簡明綜合權益變動表
26	財務報表附註
43	其他
43	中期股息及特別股息
43	暫停辦理股份過戶登記
43	股本
44	本公司之期權資料
46	董事及行政總裁之證券權益
49	主要股東之證券權益
50	董事進行證券交易的 標準守則
50	企業管治
52	董事資料變動
52	購買、出售或贖回本公司 之上市證券
52	審核委員會審閱中期報告

## Contents

53	Corporate Structure
54	Financial Highlights
55	Board of Directors and Committees
56	Corporate and Shareholders' Information
57	Chairman's Statement
63	Management Discussion & Analysis
71	Condensed Consolidated Income Statement
72	Condensed Consolidated Statement of Comprehensive Income
73	Condensed Consolidated Statement of Financial Position
75	Condensed Consolidated Cash Flow Statement
76	Condensed Consolidated Statement of Changes in Equity
78	Notes to the Financial Statements
95	Others
95	Interim Dividend and Special Dividend
95	Closure of Register of Members
95	Share Capital
96	Information on Share Options of the Company
98	Directors' and Chief Executive's Interests in Securities
101	Substantial Shareholders' Interests in Securities
102	Model Code for Securities Transactions by Directors
102	Corporate Governance
104	Changes in Directors' Information
104	Purchase, Sale or Redemption of the Company's Listed Securities
104	Review of Interim Report by Audit Committee

## Corporate Structure

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

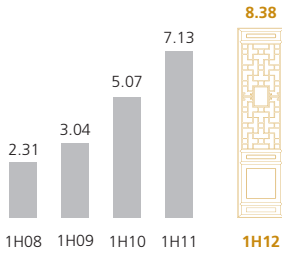


\* Property development in 33 major cities in mainland China, (Beijing, Shanghai, Shenzhen, Guangzhou, Foshan, Suzhou, Hangzhou, Shenyang, Chongqing, Xi'an, Changchun, Changsha, Chengdu, Dalian, Jinan, Nanchang, Nanjing, Ningbo, Qingdao, Tianjin, Wuhan, Xiamen, Yantai, Zhongshan, Zhuhai, Guilin#, Jilin#, Hefei#, Hohhot#, Lanzhou#, Nanning#, Yinchuan#, Ganzhou#), as well as in Hong Kong and Macau.

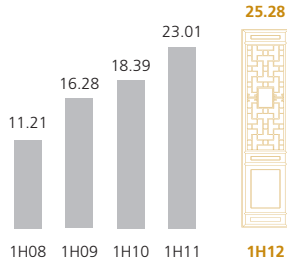
# The cities where COGO has operations; COGO also has property projects in Beijing and Guangzhou.

# Financial Highlights

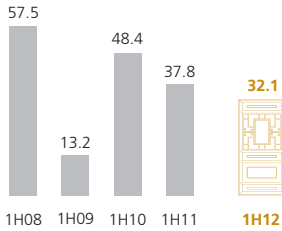
**Growth in Profits Attributable to Equity Shareholders of the Company**  
HK\$ billion



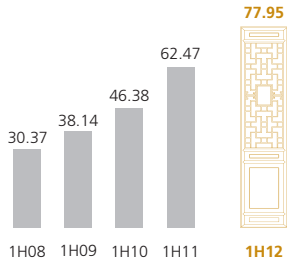
**Growth in Turnover**  
HK\$ billion



**Change in Net Gearing Ratio**  
%



**Growth in Shareholders' Fund**  
HK\$ billion



# Board of Directors and Committees

## Chairman

Kong Qingping

## Executive Directors

(see notes below)

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

(see notes below)

Wu Jianbin *Vice Chairman*

Zheng Xuexuan

## 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

(see notes below)

Wong Ying Ho, Kennedy\*

Hao Jian Min

Li Kwok Po, David

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

## Nomination Committee

(see notes below)

Fan Hsu Lai Tai, Rita\*

Kong Qingping

Dong Daping

Li Kwok Po, David

Lam Kwong Siu

Wong Ying Ho, Kennedy

\* Committee Chairman

Notes:

The following changes, as announced on 10 August 2012, be effected from 11 August 2012:

- (1) Resignation of Mr. Wu Jianbin as a non-executive director and vice chairman of the Company;
- (2) Resignation of Mr. Lin Xiaofeng as an executive director of the Company;
- (3) Cessation of Mr. Kong Qingping as a member of the nomination committee of the Company;
- (4) Cessation of Mr. Dong Daping as a member of the nomination committee of the Company; and
- (5) Cessation of Mr. Hao Jian Min as a member of the remuneration committee of the Company.

# 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

PricewaterhouseCoopers  
*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.  
Sumitomo Mitsui Banking Corporation

## Shareholders' Information

### Share Listing

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

### Stock Code

#### Shares

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

#### Bond

	Note 1	Note 2
SEHK	: China OVS N2011 Code: 4503	China OVS N1702 Code: 4533
Bloomberg	: EI4567265	EJ0197768
Reuters	: XS0508012092	XS0745169044

Note 1: US\$1,000,000,000 5.50 per cent.  
*Guaranteed Notes due November 2020*  
Note 2: US\$750,000,000 4.875 per cent.  
*Guaranteed Notes due February 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 : 10 August 2012  
announcement  
Share register closed : 3 September 2012  
Interim dividend and : 13 September 2012  
special dividend  
payable



## Chairman's Statement

### Business Review

The world economy has become more complicated and fast changing in the first half of 2012. The property market and unemployment problems in the United States still unresolved and economic recovery was slow. With the Euro zone sovereignty debt crisis worsening, the economic prospect is badly affected and the stability of the financial system of Europe is jeopardized. Major advanced economies continued to implement the various stimulus measures but with lesser effects. With momentum in the global economy weakening, many other countries including those in the emerging markets had to launch stimulus measures to ease the economic downward pressure.

Under such deteriorating economic environment abroad, the foreign trade in China continued to slow down and likely at a faster rate in the future. Fortunately, the launch of tight monetary policy in the past 2 years finally put inflation under control with the Consumer Price Index in June went up by only 2.2%. The Central Government hence has room to cut the deposit reserve requirement ratio ("RRR") thrice since last December. Also in June this year, the benchmark interest rate for loans was reduced twice. These, coupled with a series of other measures are aimed at stabilizing the economic growth. The economic growth rate in China was only 7.8% for the first half of the year, which is still slightly higher than the target of 7.5% for the whole year.

Under more and stricter tightening measures towards the China property market, speculation and investment are effectively curbed while reduction in transaction volume and softening of house prices continue. The Central Government, however, is determined that the tightening measures will continue to apply to better regulate the property market. Medium to small sized property developers who are either over-leveraged or financially weak are still under tremendous pressure. There was improvement in the land market but the symptom was not obvious.

Economic development in Hong Kong and Macau was stable and the property market was fueled with energy. The performance was good in the luxury sector which the Group is focused on.

During the period, the Group as usual reacted calmly to market changes and continued to take steps to enhance actively its overall management capability. Backing on its well established trusted brand name, shrewd judgment on the market changes and creative design and marketing, the Group provided the customers with a choice of highly differentiated and desirable products and succeeded in obtaining the recognition of the market. The property sales amount (including sales by joint ventures and associated companies) was a record high of HK\$65.15 billion for the first half of the year, an increase of 24.7%; the corresponding sold area was 3.95 million sq m, an increase of 28.6%. Sales of properties in mainland China amounted to HK\$59.08 billion, an increase of 17.9%; the corresponding sold area was 3.90 million sq m, an increase of 27.4%. Sales of properties in Hong Kong and Macau were satisfactory and increased substantially to HK\$6.07 billion.



## Chairman's Statement (Continued)

### Business Review (Continued)

The business performance of the Group for the first half of year 2012 was excellent. The profit attributable to equity shareholders of the Company increased by 17.7% to a record high of HK\$8.38 billion (equivalent to RMB6.79 billion), of which HK\$2.02 billion was related to the increase in the fair value of the investment property portfolio. Hence, the core profit of the Group increased by 9.3% and reached HK\$6.36 billion (equivalent to RMB5.15 billion).

The total turnover of the Group (not including those of the jointly controlled entities and the associated companies) was HK\$25.28 billion, representing an increase of about 10% as compared to the corresponding period last year. The turnover of the Group's property development business in mainland China was HK\$21.97 billion, accounting for 86.9% of the total turnover. The turnover of the Hong Kong and Macau was HK\$1.79 billion, accounting for 7.1% of the total turnover. Taking into account turnover of the jointly controlled entities attributable to the Group, the total turnover increased to HK\$28.22 billion.

The operating profit of the Group was HK\$12.23 billion, an increase of 12.2% as compared to the corresponding period of last year. The operating profit of the property development business in mainland China was HK\$8.54 billion, making up 69.8% of operating profit. The gross profit margin was maintained at a high level of over 40%. The operating profit of the property business in Hong Kong and Macau was HK\$890 million, making up 7.3% of operating profit. The gross profit margin was 53.0%.

At end of June 2012, the Group's interest in joint ventures and associated companies plus amounts due from and deduct amounts due to joint ventures and associated companies amounted to HK\$25.32 billion. The Group is confident that the contribution from these investments will be gradually seen. Since February 2011, China Overseas Grand Oceans Group Limited ("COGO") has become an associated company of the Group. During the period, COGO contributed profit of about HK\$200 million to the Group. The joint ventures and associated companies together contributed profit amounting to HK\$560 million to the Group during first half of the year.



## Chairman's Statement (Continued)

### Business Review (Continued)

A total of 18 projects with gross floor area ("GFA") of 1.71 million sq m were completed in 11 cities in mainland China; total saleable area of these projects was 1.27 million sq m. About 79.5% of the saleable area had been sold by end June, corresponding to an area of 1.01 million sq m and sale value of HK\$15.01 billion. Furthermore, after adjusting for sales related to joint ventures, which are not recognized as turnover for the Group, and sales not recognized as Group turnover for the first half of 2012, the level of sales pertaining to projects completed in 2012 and recognized as turnover in the first half of 2012 was HK\$11.62 billion. The Group's sales of properties completed before 2012 was satisfactory, with about 600,000 sq m sold for HK\$12.14 billion.

The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the period was HK\$243 million, representing an increase of 34.1% as compared to the corresponding period of last year.

The Group adheres to the principle of prudent financial management and endeavours to strike a balance in the cash inflow and outflow at any period of time. During the period, the total capital expenditure for the Group was about HK\$22.79 billion. The money spent was mainly on payment of land premium and development costs so as to increase the overall development scale and to speed up the development of individual projects and hence to increase the saleable resources. About HK\$7.7 billion was spent on taxation expenses and operation and marketing expenses. The Group increased its effort on collecting sales proceeds and succeeded in collecting about HK\$30.98 billion from the buyers (excluding joint ventures and associated companies) during the period rendering the Group's consolidated net gearing ratio improved slightly from 32.7% (at the end of 2011) to 32.1% at end of June 2012. In February, the Group seized opportunities and issued two 5-year bonds with an aggregated amount of US\$ 750 million, both at a yield of 4.917%. The debt maturity profile of the Group was hence improved. Also, backing on the leading status of the Group in the property industry and high creditworthiness and amid a tight liquidity environment outside China the Company succeeded to execute a 3-year club deal agreement with 12 leading banks raising HK\$7.60 billion in April. Coupled with bilateral loan agreements signed with various banks the Group raised about HK\$10 billion in Hong Kong from the banking institutions. As at end of June, the financial position of the Group was in a favorable condition; the equity attributable to the shareholders of the Company were increased to HK\$77.95 billion; the Group had bank loans and guaranteed notes payable amounted respectively to HK\$35.87 billion and HK\$15.82 billion; and bank balances and cash amounted to approximately HK\$26.64 billion and unutilized banking facilities amounted to approximately HK\$10.08 billion.

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



## Chairman's Statement (Continued)

### Prospect

Increased uncertainties on the economic environment of the advanced industrial countries amid weakening momentum in the economy of the emerging markets will lead to more quantitative easing and stimulus measures by more countries. Hopefully, this will help to expedite global economy recovery. Even though the inflationary pressure has been eased the weak demand in foreign trade, investment and consumption will turn the economy of China to a difficult position in the near term. It is expected that the Central Government will launch stronger measures in a faster rate in order to stabilize the economic growth. It is anticipated by the market that there will be further reductions in the RRR and the benchmark interest rate for loans in the second half of the year so as to improve liquidity of the market. In the longer term, to ensure sustainable and healthy development of the Chinese economy, structural adjustments are needed and that productivity enhancement and industry reformation are achieved through persistent innovation.

Excellent performance of the Group under such tough market environment confirms that the strategy of developing high quality residential projects in the core areas of major mainland cities is correct. The launch of austerity measures has become an ordinary feature of the China property market. The property market in the mainland has become more mature and the major feature of such a market is branding competition. The Group will firmly push ahead with its branding strategy. The Group will continue to strengthen its financial capabilities by pursuing development, sale and cash collection in a faster manner. Through persistent innovation, articulate product design, attention to details and strict cost control, it will continue to try its utmost and explore every avenue to provide the customers with for value products.

It is generally realized that in the short term the tightening measures will not be relaxed and the property market in China is confronted with huge challenges, thus leading to consolidation of the market at a faster manner. This is favorable to the Group as more opportunities are opened to the Group under such market conditions.

It is expected that the property market in Hong Kong and Macau will consolidate at a high level and the Group will stick to the strategy of participating in the market in a moderate manner.

## Chairman's Statement (Continued)

### Prospect (Continued)

Backing on its team of quality professionals, shrewd market judgment, nationwide strategic development, Excellent Quality (精品) brand recognition, abundant financial resources coming from smooth funding channels in both domestic and overseas financial markets, corporate governance of international standard, and effective risk control policies and measures, the Group is fully confident that it will maintain its status as a sizable and strong nationwide real estate developer of international influence. In view of the satisfactory sales in the first half of the year, the Group decided to change its 2012 sales target to HK\$100 billion.

In the first half of the year, the Group acquired 2 land parcels in 2 mainland cities while COGO acquired 1 land parcel, adding total GFA of about 2.72 million sq m to the land reserve. The Group also acquired 1 land parcel in Hong Kong. As at end June, the total land bank of the Group was 34.36 million sq m (attributable interest of about 30.22 million sq m) while COGO had land bank of about 7.50 million sq m (attributable interest of about 6.17 million sq m). Under the influence of the strict tightening measures, the property market in China has gradually rationalised. The Group will seize opportunities to expand its land bank at low cost and determine its investment scale according to the sales performance and financial resources on hand.

In July, the Group acquired 1 piece of land at Tianjin and was also awarded a contract in Hong Kong to jointly develop a project at Pak Tai Street of To Kwa Wan with the Urban Renewal Authority.

The Group strives to expedite its development through joint venture cooperation and mergers and acquisitions. The property funds set up by the Group run smoothly.

The Group will continue to take advantage of its competitive edge in having wide range of fundraising choices in and outside China so as to provide adequate financial resources to support its rapid business development. The net gearing ratio of the Group is relatively low at the moment. The Group is hence in a position to assess the changes in the investment opportunities and fundraising opportunities and to secure more funding at suitable times. The Group will stick to its prudent financial management and control well its gearing level and to hold a relatively high level of cash position.



## Chairman's Statement (Continued)

### Prospect (Continued)

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

The Group will strive to achieve the corporate mission of "Sustainability, Value-adding, Harmony and Win-win". To grow into an evergreen enterprise the Group will move steadily and firmly ahead with its strategy of continuous strengthening of corporate governance, practising a high level of corporate citizenship, thus attaining a win-win outcome for the Company, its shareholders, business associates, staff members and the community.

### Appreciation

The 20th listing anniversary of the Company will be held on 23 August. I wish to express my heartfelt appreciation to the members of the Board and to the entire staff. I would also like to thank the shareholders of the Company and friends from all walks of life for their care, support and assistance in the past.

By Order of the Board

**China Overseas Land & Investment Limited**

**Kong Qingping**

*Chairman*

Hong Kong, 10 August 2012

# Management Discussion & Analysis

## Overall Performance

During the six months ended 30 June 2012, the turnover of the Group was HK\$25.28 billion (the corresponding period in 2011: HK\$23.01 billion), representing an increase of about 10%. The operating profit was HK\$12.23 billion (the corresponding period in 2011: HK\$10.89 billion), representing an increase of 12.2%. Profit attributable to equity shareholders of the Company amounted to HK\$8.38 billion (the corresponding period in 2011: HK\$7.13 billion), representing an increase of 17.7%. Basic earnings per share was HK102.6 cents (the corresponding period in 2011: HK87.2 cents), an increase of 17.7%, while diluted earnings per share was HK102.4 cents (the corresponding period in 2011: HK87.2 cents).

As at 30 June 2012, the equity attributable to equity shareholders of the Company was HK\$77.95 billion (31 December 2011: HK\$71.62 billion), an increase of 8.8% as compared to the end of the previous year, while the book value of net asset per share was HK\$9.5 (31 December 2011: HK\$8.8), an increase of 8.0% as compared to the end of the previous year.

## Property Sales

Turnover of property sales (not including those of the jointly controlled entities and the associated companies) was HK\$23.76 billion, increased by 7.1%. The turnover of property sales in mainland China was HK\$21.97 billion, the turnover of property sales in Hong Kong and Macau was HK\$1.79 billion. Turnover from property sales mainly related to property projects such as Gold Coast in Foshan, International Community in Xi'an, Residence 9 and Windsor Pavilion in Beijing, 1 Oxford Road and 6 Stanley Beach Road in Hong Kong, One City South, Glorious City and International Community in Chengdu, Coastal Palace in Shanghai, Lohas Island in Suzhou and Royal Court in Changchun.

Profit from property sales (including the Group's share of result of jointly controlled entities) amounted to HK\$9.98 billion, an increase of 9.0%.

## Property Rental

Turnover from property rental of the Group amounted to HK\$243 million, an increase of 34.1%. The rise in rental income was mainly due to higher market rent and increased contributions from new investment properties. Segment results amounted to HK\$2.78 billion which include the gain arising from changes in fair value of and transfer to investment properties amounting to HK\$2.57 billion (net income after deferred tax was HK\$2.02 billion). Operating profit was HK\$210 million, an increase of 35.1%.

## Management Discussion & Analysis (Continued)

### Other Operations

Turnover from other operations amounted to HK\$1.28 billion, an increase of 100%.

### Property Development

Under such a volatile economic environment abroad, the momentum for economic growth in China has slowed down. The economic growth for the first half of the year was slightly higher than the full year target of 7.5%. Confronted with the strict tightening measures, speculation and investment in property were curbed. As the property sector tends to lead many other segments in the economy and is an effective driver for economic activity, relaxation of the tightening measures could be useful in promoting economic growth. However, the Central Government is determined to keep the tightening measures intact. Both the property price and transaction volume has reduced and many property developers are under pressure. Economic development in Hong Kong and Macau was relatively stable. The property market was quite active especially for the luxury sector which the Group is focused on.

China Overseas Property is regarded as one of the few big property developers that are operationally and financially sound and has a strong brand name. It also has a good judgment on the market changes including that the tightening measures would not be eased. Fully taking advantage of the improvement in the market sentiment in the first half of the year, the Group step up its marketing efforts and recorded satisfactory sales performance. The property sales for the first half of the year (including those of the joint ventures and associated companies) was a record high of HK\$65.15 billion, an increase of 24.7% as compared with the corresponding period last year. The corresponding sales area was 3.95 million sq m, an increase of 28.6%. Sales of property in China amounted to HK\$59.08 billion, an increase of 17.9%, while the corresponding sold area was 3.90 million sq m, an increase of 27.4%. Sales in Hong Kong and Macau was satisfactory and increased substantially to HK\$6.07 billion.

The good performance of the Group in the first half of the year was mainly attributable to the stable profit contribution of the China property development business, accounting for 86.9% of the turnover, 69.8% of the operation profit, and with the gross profit margin staying high at above 40%.



## Management Discussion & Analysis (Continued)

### Property Development (Continued)

The Group strives to expedite its development through joint venture cooperation and mergers and acquisitions. At the end of June 2012, the Group's interest in joint ventures and associated companies plus amounts due from and deduct amounts due to joint ventures and associated companies amounted to HK\$25.32 billion. There were altogether 17 joint ventures. 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. All the joint ventures are financially sound. As at end of June 2012, there were bank and cash balances of HK\$7.79 billion in aggregate against aggregate bank borrowings of HK\$4.33 billion for these joint ventures. It is expected that contribution from joint venture cooperation will gradually increase. In the first half of the year, sales from joint ventures reached HK\$15 billion and the turnover was HK\$4.40 billion. During the period, the Group recorded a net profit of about HK\$370 million. Furthermore, COGO is the major associated company of the Group. COGO reported good performance in the first half of the year with profit attributable to equity shareholders of about HK\$1.3 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\$200 million.

A total of 18 projects were completed in 11 cities in mainland China with GFA of 1.71 million sq m. The saleable areas of these completed projects were 1.27 million sq m, about 79.5% of which or an area of 1.01 million sq m has been sold by end June for HK\$15.01 billion.

## Management Discussion & Analysis (Continued)

### Property Development (Continued)

The major projects completed for occupation were:

City	Name of Project	Saleable area ('000 sq m)	Area sold ('000 sq m)	Sales Amount (HK\$ million)
Foshan	Gold Coast Middle III	154	154	2,470
Suzhou	Lohas Island II	36	27	820
Beijing	Residence 9	94	72	1,880
Changchun	Royal Court	115	58	890
Shenyang	International Community I #	120	89	860
Chengdu	Glorious City I	157	130	1,230
Xi'an	International Community	175	161	2,710
Xi'an	Greenwood Cove #	140	137	1,220
<b>Total</b>		<b>991</b>	<b>828</b>	<b>12,080</b>

# Joint venture projects

The Group's sales of properties held for sale were satisfactory with about 600,000 sq m sold for HK\$12.14 billion. At the end of June, properties held for sale were only 1.10 million sq m, a drop of 24.1% as compared to the end of last year.

To ensure sustainable rapid growth, the Group continued to expand sources in getting high quality land reserve through various means and ways. In the first half of the year, the Group acquired 2 land parcels in Foshan and Chengdu, adding GFA of about 1.32 million sq m to its land reserve. Taking into account the 1.40 million sq m of land reserve related to the 1 land parcel acquired by COGO in Ganzhou, land with GFA of 2.72 million sq m in mainland China was acquired in the first half of the year. The Group also acquired 1 land parcel in Hong Kong at a consideration of HK\$2.5 billion. As at the end of June, the total land bank of the Group was 34.36 million sq m (attributable interest of 30.22 million sq m). The Group will take into account the market change, sales result and financial resources on hand to seize opportunities to expand its land bank at low cost.



## Management Discussion & Analysis (Continued)

### Property Development (Continued)

The land parcels added in the first half of year 2012 were:

City	Name of Project	Attributable		GFA ('000 sq m)
		Interest	Site Area ('000 sq m)	
Foshan	Nanhai District Guicheng Project	100%	199	731
Hongkong	Ap Lei Chau Project	100%	3	21
Chengdu	Chengnan New District Project	100%	102	590
Ganzhou	Zhangjiang New District Project*	88%	351	1,402
<b>Total</b>			<b>655</b>	<b>2,744</b>

\* Land acquired by COGO

The economic growth of China has reduced further to 7.8% in the second quarter of the year. It is expected that China will launch a series of stimulus measures in the second half of the year to boost the economy. In the short term, there may be some fine adjustments to the tightening measures towards property sector but general relaxation is unlikely. Transaction volume for the property market will likely be reduced further. The Group is optimistic about the medium and long term development of the mainland China property market but it will not be over-optimistic. The Group will follow closely the change in the trend of the macro economy and the regulatory environment and will address such changes effectively and in a timely manner. Faster development, sales and cash collection, articulate product design, strict cost control and delivery of value products to its customer will be the central theme of the Group's operation in future.

Notwithstanding that the market could be complicated in the remaining part of this year the Group has revised its 2012 sales target to HK\$100 billion.

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

## Management Discussion & Analysis (Continued)

### Liquidity, Financial Resources and Debt Structure

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

To cope with the repayment of the matured loans and debts and to enhance the financial support to business development as well, the Group raised over HK\$19 billion through the arrangement of a syndication loan and bilateral loans and bond issuance in and outside China during the first half of the year. At the same time, more efforts were spent in collecting sales proceeds. Due to the settlement of huge amount of land premium, development costs and tax expenses, the net gearing ratio (calculated by the total borrowings less bank balances and cash and divided by the shareholders' equity) of the Group was lowered slightly to 32.1% from 32.7% (restated figure) as at the end of last year. Interest cover (measured by the ratio of operating profit less interest income to the total interest expenses) was decreased from 16.2 times at the end of June 2011 to 14.3 times, still at a satisfactory level. The average borrowing costs of the Group was increased to 3.8% (total finance costs divided by the average borrowings), but could still be at the lowest level for the industry. Due to the combined effects of increased borrowing costs and increase in borrowings, the total finance costs increased to HK\$890 million and by about 28.6% as compared to the corresponding period of the previous year.

As at 30 June 2012, consolidated bank borrowings and guaranteed notes of the Group amounted to HK\$35.87 billion (31 December 2011: HK\$32.60 billion) and HK\$15.82 billion (31 December 2011: HK\$10.03 billion) respectively, of which 52.4% was denominated in Hong Kong dollars, 30.6% was denominated in U.S. dollars and 17.0% was denominated in Renminbi.

As at 30 June 2012, the Group had bank balances and cash amounting to approximately HK\$26.64 billion (of which 6.1% was denominated in Hong Kong dollars, 10.0% was denominated in U.S. dollars, 83.8% was denominated in Renminbi and minimal amounts were denominated in other currencies) and unutilized banking facilities amounting to approximately HK\$10.08 billion. All bank borrowings of the Group were interest-bearing at floating rates.

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

## Management Discussion & Analysis (Continued)

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

It is expected that more investment and acquisition opportunities will be available as the consolidation of the China property industry accelerate. The Group will continue to take full advantage of its competitive edge in having various fundraising platforms in and outside China. The Group will seek opportunities to increase its financial resources so as to provide solid support to the rapid development of the Group.

### Awards

During the period, the Company and China Overseas Property won numerous awards and prizes for its leading status in the property industry and consolidated strength as well as for its outstanding performance in corporate citizenship and corporate governance. In March, the Company was given by The Asset magazine "Titanium Award for Financial Performance and Social Responsibility" and "The Asset Triple A China's Most Promising Companies 2011 (Property industry) award". In June, the Company was granted by Corporate Governance Asia "The 8th Corporate Governance Asia Recognition Awards — The best of Asia 2012" and by the Yazhou Zhoukan "The Largest Capitalisation Company Award" in Mainland Enterprises Listed in Hong Kong Ranking.

### Corporate Citizenship

The Group has always tried its utmost to discharge its corporate social responsibilities to share its success with the community. Through its hearty involvement in charitable activities, educational contributions, environment protection, quality of life improvement, customer service and staff development, the Group succeeds in promoting a harmonious community. To serve the community is the operation mission and philosophy of the Group. A committee was formed to reinforce social citizenship.

In February, about 400 staff joined "The New Territories Walk for a Million" event sponsored by the Hong Kong Community Chest. The China Overseas Charity Team actively participates in volunteer community work and was awarded a gold certificate by the Hong Kong Social Welfare Department. To fulfill its commitment to donate and build one Hope School in China every year, the construction works for the 7th China Overseas Hope School commenced in July this year. This Hope School is situated in Kaifa County of the Zhejiang Province and is expected to complete by the end of year 2012. As a leading property developer in China, while building residential units of the highest standard the Group places great emphasis on environmental protection, energy conservation, low emission of carbon so as to build a green society and ensure sustainable development of the nature.



## Management Discussion & Analysis (Continued)

### Human Resources

The Group firmly believes that human resources are the most valuable assets of the Group and regards the human resource strategy as one of the most important strategies. Human resources are the fundamental element in the healthy development of the Group in the past few years and the key to developing into an evergreen enterprise. Human resources, financial resources and land resources are the core elements in formulating the strategy of the Group. The 3-year rolling human resources management plan was lately updated to resolve effectively the conflicts in human resources as the Group expand rapidly, to strike a balance between corporate development and staff personal development in a systematic manner, to foresee and to meet the practical and potential demand, both spiritual and physical, of the employees. This helps to protect and promote the achievement of objectives set in the human resource strategy and the persistent enhancement of the human capital. Through the “Sons of the Sea (海之子)” and “Sea’s Recruits (海納)” schemes, a large number of experienced and talented staff were added to the management team and also new blood with huge potential were recruited from famous universities. During the period, 58 staff was recruited through the “Sons of the Sea” while 177 staff were recruited through the “Sea’s Recruits”.

As at end June 2012, the Group had 16,266 employees. By business segment, 2,706, 12,890 and 670 employees were employed in the property development, the property management and other service sectors and Hua Yi Design respectively. By geographical location, 1,566 employees were based in Hong Kong and Macau and 14,700 employees were based in Mainland China.

## Condensed Consolidated Income Statement

The unaudited 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 HK\$'000	2011 HK\$'000 (Restated)
Group turnover		<b>25,282,063</b>	23,012,166
Share of turnover of jointly controlled entities		<b>2,938,784</b>	1,967,197
Turnover		<b>28,220,847</b>	24,979,363
Group turnover	4	<b>25,282,063</b>	23,012,166
Cost of sales		<b>(13,833,705)</b>	(13,135,147)
Direct operating expenses		<b>(1,098,028)</b>	(518,445)
Other income, gains and losses		<b>10,350,330</b>	9,358,574
Gain arising from changes in fair value of and transfer to investment properties		<b>263,391</b>	859,972
Selling and distribution costs		<b>2,567,402</b>	1,527,390
Administrative expenses		<b>(358,436)</b>	(226,042)
Administrative expenses		<b>(597,124)</b>	(628,389)
Operating profit		<b>12,225,563</b>	10,891,505
Gain on deemed disposal of subsidiaries		—	45,628
Share of profits of Associates		<b>194,210</b>	82,799
Jointly controlled entities		<b>367,678</b>	270,358
Finance costs	5	<b>(111,753)</b>	(258,447)
Profit before tax		<b>12,675,698</b>	11,031,843
Income tax expenses	6	<b>(4,253,516)</b>	(3,877,121)
Profit for the period	7	<b>8,422,182</b>	7,154,722
Attributable to:			
Owners of the Company		<b>8,384,721</b>	7,125,810
Non-controlling interests		<b>37,461</b>	28,912
		<b>8,422,182</b>	7,154,722
		<b>HK cents</b>	HK cents
EARNINGS PER SHARE			
Basic	9	<b>102.6</b>	87.2
Diluted		<b>102.4</b>	87.2

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 <i>(restated)</i>
Profit for the period	<b>8,422,182</b>	7,154,722
<b>Other comprehensive (loss) income</b>		
Exchange differences arising on translation of the Company and subsidiaries	<b>(364,079)</b>	844,530
Exchange differences on translation of associates	<b>(15,122)</b>	31,439
Exchange differences on translation of jointly controlled entities	<b>(45,366)</b>	300,961
Other comprehensive (loss) income for the period	<b>(424,567)</b>	1,176,930
Total comprehensive income for the period	<b>7,997,615</b>	8,331,652
Total comprehensive income attributable to:		
Owners of the Company	<b>7,962,764</b>	8,293,452
Non-controlling interests	<b>34,851</b>	38,200
	<b>7,997,615</b>	8,331,652

## Condensed Consolidated Statement of Financial Position

		30 June 2012	31 December 2011
	Notes	HK\$'000 (unaudited)	HK\$'000 (restated)
<b>Non-current Assets</b>			
Investment properties	10	21,246,699	17,765,372
Property, plant and equipment		318,511	337,635
Prepaid lease payments for land		65,981	68,591
Interests in associates		3,474,791	3,340,454
Interests in jointly controlled entities		12,446,157	12,668,593
Investments in syndicated property project companies		22,776	22,776
Amounts due from associates		—	88,793
Amounts due from jointly controlled entities		5,261,954	11,727,717
Other financial assets		39,532	17,417
Goodwill		109,021	109,021
Deferred tax assets		1,829,741	1,844,924
		<b>44,815,163</b>	47,991,293
<b>Current Assets</b>			
Inventories		31,784	30,682
Stock of properties		103,403,924	94,801,075
Land development expenditure		3,055,426	2,670,856
Prepaid lease payments for land		2,886	2,096
Trade and other receivables	11	3,478,879	1,850,085
Deposits and prepayments		2,835,600	1,858,122
Deposits for land use rights for properties held for sale		2,743,097	6,027,677
Amounts due from associates		146,130	51,743
Amounts due from jointly controlled entities		8,077,564	676,226
Amounts due from non-controlling interests		360,916	301,243
Tax prepaid		743,479	534,944
Bank balances and cash		26,596,761	19,179,381
		<b>151,476,446</b>	127,984,130

## Condensed Consolidated Statement of Financial Position (Continued)

		30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (restated)
	<i>Notes</i>		
<b>Current Liabilities</b>			
Trade and other payables	12	13,878,085	16,378,354
Pre-sales deposits		31,507,863	24,480,225
Rental and other deposits		709,787	732,196
Amount due to a fellow subsidiary		353,501	353,428
Amounts due to associates		269,914	270,566
Amounts due to jointly controlled entities		3,821,630	3,214,042
Tax liabilities		11,804,172	12,680,089
Borrowings — due within one year		10,206,574	7,481,866
Guaranteed notes payable		2,339,914	2,338,416
		<b>74,891,440</b>	67,929,182
<b>Net Current Assets</b>		<b>76,585,006</b>	60,054,948
		<b>121,400,169</b>	108,046,241
<b>Capital and Reserves</b>			
Share capital	13	817,252	817,252
Reserves		77,127,991	70,799,731
Equity attributable to owners of the Company		77,945,243	71,616,983
Non-controlling interests		303,561	273,015
<b>Total Equity</b>		<b>78,248,804</b>	71,889,998
<b>Non-current Liabilities</b>			
Borrowings — due after one year		25,667,396	25,113,861
Guaranteed notes payable		13,475,967	7,689,578
Amounts due to non-controlling interests		1,208,006	1,055,226
Deferred tax liabilities		2,799,996	2,297,578
		<b>43,151,365</b>	36,156,243
		<b>121,400,169</b>	108,046,241



## Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>1,691,197</b>	(9,894,920)
<b>INVESTING ACTIVITIES</b>		
Additions of investment properties	(837,542)	(173,057)
Advances to jointly controlled entities	(429,833)	(2,494,015)
Deemed disposal of subsidiaries	—	(2,161,555)
Repayment from a fellow subsidiary	—	845,000
Other investing cash flows	74,178	346,215
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,193,197)</b>	(3,637,412)
<b>FINANCING ACTIVITIES</b>		
Cash dividends paid	(1,634,504)	(1,389,328)
New bank loans raised	7,828,387	2,819,762
Repayment of bank loans	(4,518,478)	(2,551,310)
Advances from jointly controlled entities	625,330	910,515
Issue of guaranteed notes	5,780,319	—
Other financing cash flows	(728,009)	(663,083)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>7,353,045</b>	(873,444)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,851,045	(14,405,776)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	17,841,478	31,573,981
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(113,590)	409,316
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>25,578,933</b>	17,577,521
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	26,596,761	18,195,117
Less: restricted bank balances	(1,017,828)	(617,596)
	<b>25,578,933</b>	17,577,521

## Condensed Consolidated Statement of Changes in Equity

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Translation reserve	Other reserves	PRC statutory reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011, as previously reported	817,252	18,796,072	18,798	5,252,288	46,292	1,120,969	28,683,219	54,734,890	3,207,251	57,942,141
Prior year adjustment in respect of change in accounting policy	—	—	—	10,223	—	—	818,086	828,309	—	828,309
At 1 January 2011, as restated	817,252	18,796,072	18,798	5,262,511	46,292	1,120,969	29,501,305	55,563,199	3,207,251	58,770,450
Profit for the period	—	—	—	—	—	—	7,125,810	7,125,810	28,912	7,154,722
Exchange differences arising on translation of the Company and subsidiaries	—	—	—	835,242	—	—	—	835,242	9,288	844,530
Exchange differences on translation of associates	—	—	—	31,439	—	—	—	31,439	—	31,439
Exchange differences on translation of jointly controlled entities	—	—	—	300,961	—	—	—	300,961	—	300,961
Total comprehensive income for the period	—	—	—	1,167,642	—	—	7,125,810	8,293,452	38,200	8,331,652
2010 final dividend paid	—	—	—	—	—	—	(1,389,328)	(1,389,328)	—	(1,389,328)
Release of exchange reserve upon liquidation of subsidiaries	—	—	—	(269,130)	—	—	269,130	—	—	—
Deemed disposal of subsidiaries	—	—	—	—	—	—	—	—	(3,128,777)	(3,128,777)
Transfer to PRC statutory reserve	—	—	—	—	—	252,031	(252,031)	—	—	—
At 30 June 2011	817,252	18,796,072	18,798	6,161,023	46,292	1,373,000	35,254,886	62,467,323	116,674	62,583,997

## Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited										
	Attributable to owners of the Company										Non-controlling interests
	Capital				PRC			Total	Total		
	Share capital	Share redemption premium	Translation reserve	Other reserves	statutory reserve	Retained profits					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2012,											
as previously reported	817,252	18,796,072	18,798	7,986,422	46,201	1,446,070	41,200,882	70,311,697	273,015	70,584,712	
Prior year adjustment in respect of change in accounting policy	—	—	—	48,492	—	—	1,256,794	1,305,286	—	1,305,286	
At 1 January 2012, as restated	817,252	18,796,072	18,798	8,034,914	46,201	1,446,070	42,457,676	71,616,983	273,015	71,889,998	
Profit for the period	—	—	—	—	—	—	8,384,721	8,384,721	37,461	8,422,182	
Exchange differences arising on translation of the Company and subsidiaries	—	—	—	(361,469)	—	—	—	(361,469)	(2,610)	(364,079)	
Exchange differences on translation of associates	—	—	—	(15,122)	—	—	—	(15,122)	—	(15,122)	
Exchange differences on translation of jointly controlled entities	—	—	—	(45,366)	—	—	—	(45,366)	—	(45,366)	
Total comprehensive income for the period	—	—	—	(421,957)	—	—	8,384,721	7,962,764	34,851	7,997,615	
2011 final dividend paid	—	—	—	—	—	—	(1,634,504)	(1,634,504)	—	(1,634,504)	
Return of capital to non-controlling interest	—	—	—	—	—	—	—	—	(4,305)	(4,305)	
Release of exchange reserve upon liquidation of subsidiaries	—	—	—	(78,700)	—	—	78,700	—	—	—	
Transfer to PRC statutory reserve	—	—	—	—	—	46,174	(46,174)	—	—	—	
<b>At 30 June 2012</b>	<b>817,252</b>	<b>18,796,072</b>	<b>18,798</b>	<b>7,534,257</b>	<b>46,201</b>	<b>1,492,244</b>	<b>49,240,419</b>	<b>77,945,243</b>	<b>303,561</b>	<b>78,248,804</b>	

# Notes to the Financial Statements

## 1. Basis of Preparation

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

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the HKICPA.

Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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



## Notes to the Financial Statements (Continued)

### 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

#### Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sales.

The Group has reassessed the business models of the Group’s investment properties located in Hong Kong and the People’s Republic of China (the “PRC”) individually. The carrying values of certain investment properties are expected to be recovered through use and the presumption of sale for these investment properties is rebutted. For the remaining investment properties, the Group applies the rebuttable presumption that the carrying amount of these investment properties will be recovered through sale.

## Notes to the Financial Statements (Continued)

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

#### Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets (Continued)

The Group has adopted Amendments to HKAS 12 retrospectively and the effect of adoption on the condensed consolidated income statement and condensed consolidated statement of financial position is as follows:

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Increase in profit for the period:		
Profit before tax	—	—
Income tax expenses	<b>476,960</b>	286,429
Profit for the period	<b>476,960</b>	286,429
Attributable to:		
Shareholders of the Company	<b>476,960</b>	286,429
Non-controlling interests	—	—
	<b>476,960</b>	286,429
	<b>HK cents</b>	HK cents
Earnings per share		
Basic	<b>5.84</b>	3.50
Diluted	<b>5.83</b>	3.50

	As at	As at
	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Increase (decrease) in:		
Retained profits	<b>476,960</b>	1,256,794
Translation reserve	<b>(7,633)</b>	48,492
Total equity	<b>469,327</b>	1,305,286
Deferred tax liabilities	<b>(469,327)</b>	(1,305,286)
Total equity and liabilities	—	—

## Notes to the Financial Statements (Continued)

### 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>2</sup>
Amendments to HKFRS 7	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>
Annual Improvements Project	Annual Improvements 2009–2011 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group’s operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the condensed consolidated financial statements.



## Notes to the Financial Statements (Continued)

### 3. Financial Risk Management

In the normal course of business the Group is exposed to financial risks attributable to interest rates, currency, credit, liquidity and fair value.

The interim accounts do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2011 annual accounts.

There have been no changes in the risk management department, policies and procedures since the year end.

### 4. Turnover and Contribution

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

Property development	—	proceeds from sales of properties
Property investment	—	property rentals
Other operations	—	turnover from real estate agency and management services, construction and building design consultancy services



## Notes to the Financial Statements (Continued)

### 4. Turnover and Contribution (Continued)

#### Segment turnover and results

The following is an analysis of the turnover and results by reportable segments.

*Six months ended 30 June 2012*

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segment total HK\$'000
<b>Segment turnover</b>				
— from external customers	23,762,250	242,517	1,277,296	25,282,063
<b>Group's share of turnover of jointly controlled entities</b>	2,938,784	—	—	2,938,784
<b>Turnover of the Group and Group's share of turnover of jointly controlled entities</b>	26,701,034	242,517	1,277,296	28,220,847
<b>Segment profit (including share of profits of associates and jointly controlled entities)</b>	9,979,818	2,776,224	44,524	12,800,566
<b>Group's share of profit of jointly controlled entities</b>	367,678	—	—	367,678

## Notes to the Financial Statements (Continued)

### 4. Turnover and Contribution (Continued)

#### Segment turnover and results (Continued)

Six months ended 30 June 2011

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segment total HK\$'000
Segment turnover				
— from external customers	22,194,695	180,836	636,635	23,012,166
Group's share of turnover of jointly controlled entities	1,967,197	—	—	1,967,197
Turnover of the Group and Group's share of turnover of jointly controlled entities	24,161,892	180,836	636,635	24,979,363
Segment profit (including share of profits of associates and jointly controlled entities)	9,152,843	1,681,970	27,229	10,862,042
Group's share of profit of jointly controlled entities	270,358	—	—	270,358

Note: Business tax of HK\$1,129,314,000 was presented net of turnover during the six months ended 30 June 2011, and had been reclassified to cost of sales and direct operating expenses to conform to the current period presentation and market practice.

## Notes to the Financial Statements (Continued)

### 4. Turnover and Contribution (Continued)

#### Reconciliation of reportable segment profit to the consolidated profit before tax

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Reportable segment profits	<b>12,800,566</b>	10,862,042
Unallocated items:		
Interest income	<b>115,688</b>	94,010
Gain on deemed disposal of subsidiaries	<b>—</b>	45,628
Corporate expenses	<b>(23,978)</b>	(50,838)
Finance costs	<b>(90,359)</b>	(237,053)
Net foreign exchange (losses) gains	<b>(126,219)</b>	318,054
Consolidated profit before tax	<b>12,675,698</b>	11,031,843

### 5. Finance costs

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest on bank loans and guaranteed notes wholly repayable within five years	<b>516,400</b>	436,492
Interest on guaranteed notes not wholly repayable within five years	<b>326,132</b>	218,004
Interest on amounts due to non-controlling interests	<b>21,394</b>	21,394
Other finance costs	<b>21,330</b>	12,355
Total finance costs	<b>885,256</b>	688,245
Less: Amount capitalised	<b>(773,503)</b>	(429,798)
	<b>111,753</b>	258,447

## Notes to the Financial Statements (Continued)

### 6. Income tax expenses

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (restated)
Current tax:		
Hong Kong Profits Tax	149,551	3,072
Macau income tax	—	398
PRC Enterprise Income Tax ("EIT")	1,699,260	1,899,356
PRC withholding income tax	58,247	—
PRC Land Appreciation Tax ("LAT")	1,825,263	2,041,284
	<b>3,732,321</b>	3,944,110
Under(over)provision in prior years:		
Hong Kong Profits Tax	(6)	(26)
Macau income tax	—	(1,953)
EIT	128	(1,624)
LAT	—	(971)
	<b>122</b>	(4,574)
Deferred tax:		
Current period	521,073	(62,415)
Total	<b>4,253,516</b>	3,877,121

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the period.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for certain PRC subsidiaries of the Company which are taxed at concessionary rates of 24% in 2011 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% (2011: 12%) in Macau.

## Notes to the Financial Statements (Continued)

### 7. Profit For the Period

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Business taxes and other levies	<b>1,183,484</b>	1,129,314
Depreciation of property, plant and equipment	<b>24,702</b>	17,299
Amortisation of prepaid lease payments for land	<b>1,443</b>	1,132
Interest income	<b>(145,701)</b>	(269,613)
Net exchange losses (gains)	<b>126,219</b>	(318,054)
Reversal of impairment loss upon recovery of amount due from an associate	—	(205,127)

### 8. Dividends

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
2011 final dividend paid of HK20 cents (six months ended 30 June 2011: 2010 final dividend paid of HK17 cents) per share	<b>1,634,504</b>	1,389,328

The Board has determined that an interim dividend of HK15 cents (2011: HK13 cents) per share and a special dividend of HK2 cents per share for celebrating the 20th listing anniversary of the Company will be paid to the shareholders of the Company whose names appear in the Register of Members on 3 September 2012.

## Notes to the Financial Statements (Continued)

### 9. Earnings Per Share

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Restated)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to the owners of the Company	<b>8,384,721</b>	7,125,810
Adjustment to the profit of the Group based on diluted earnings per share of China Overseas Grand Oceans Group Limited	<b>(12,011)</b>	(555)
Earnings for the purpose of diluted earnings per share	<b>8,372,710</b>	7,125,255
	Six months ended 30 June	
	2012 '000	2011 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>8,172,519</b>	8,172,519
Effect of dilutive potential ordinary shares		
Share options	<b>2,614</b>	2,605
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>8,175,133</b>	8,175,124

## Notes to the Financial Statements (Continued)

### 10. Investment Properties

	Completed investment properties HK\$'000	Investment properties under construction HK\$'000	Total HK\$'000
<b>FAIR VALUE</b>			
At 1 January 2012	12,930,133	4,835,239	17,765,372
Additions of land cost and construction costs	101,370	736,172	837,542
Transfer from property, plant and equipment	32,144	—	32,144
Transfer from completed properties	143,888	—	143,888
Gain arising from changes in fair value of and transfer to investment properties (note)	1,671,475	895,927	2,567,402
Exchange realignment	(62,622)	(37,027)	(99,649)
<b>At 30 June 2012</b>	<b>14,816,388</b>	<b>6,430,311</b>	<b>21,246,699</b>

Note: The amount includes HK\$321,545,000 in respect of the gain on transfer of completed properties held for sale to investment properties.

## Notes to the Financial Statements (Continued)

### 10. Investment Properties (Continued)

An analysis of the investment properties of the Group at 30 June 2012 is as follows:

	Total HK\$'000
Investment properties:	
In Hong Kong	
On long leases	670,000
On medium-term leases	2,979,220
In Macau	
On medium-term leases	149,000
In the PRC	
On medium-term leases	17,448,479
	21,246,699

The fair value of the investment properties, including both land and building elements held by the Group at 30 June 2012 and 31 December 2011 has been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited.

DTZ Debenham Tie Leung Limited is independent firms of professional values not connected with the Group, who has 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 purpose are measured using the fair value model and are classified and accounted for as investment properties.



## Notes to the Financial Statements (Continued)

### 11. Trade and Other Receivables

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds receivable from sales of properties and rental income from lease of properties which are 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:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade receivables, aged		
0–30 days	<b>2,360,256</b>	774,224
31–90 days	<b>207,694</b>	289,919
Over 90 days	<b>242,512</b>	211,938
	<b>2,810,462</b>	1,276,081
Other receivables	<b>668,417</b>	574,004
	<b>3,478,879</b>	1,850,085

## Notes to the Financial Statements (Continued)

### 12. Trade and other payables

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade payables, aged		
0–30 days	2,664,957	6,443,905
31–90 days	746,997	403,840
Over 90 days	6,068,036	4,911,637
	<b>9,479,990</b>	11,759,382
Other payables	1,722,635	2,255,612
Retentions payable	2,675,460	2,363,360
	<b>13,878,085</b>	16,378,354

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

### 13. Share Capital

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised		
At 1 January 2012 and 30 June 2012	10,000,000	1,000,000
Issued and fully paid		
At 1 January 2012 and 30 June 2012	8,172,519	817,252

## Notes to the Financial Statements (Continued)

### 14. Contingent Liabilities

At 30 June 2012, the Group provided guarantees amounted to approximately HK\$6,512 million (31 December 2011: HK\$6,521 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

At 30 June 2012, the Group also provide guarantees amounted to approximately HK\$1,153 million (31 December 2011: HK\$1,752 million) for the loan facilities granted by the banks to jointly controlled entities, of which HK\$940 million has been utilised by the jointly controlled entities (31 December 2011: HK\$1,231 million).

The Board considered that the fair value 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.

### 15. Pledge of Assets

At 30 June 2012, the Group has bank deposit of HK\$39,517,000 (31 December 2011: HK\$17,346,000) pledged to secure the mortgage loans granted by banks to the home buyers.

### 16. Capital Commitments

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Capital expenditure in respect of investment properties:		
Contracted but not provided for	<b>725,666</b>	192,570
Authorised but not contracted for	<b>14,940,961</b>	11,861,883
	<b>15,666,627</b>	12,054,453

At 30 June 2012, the Group has committed to contribute US\$40 million (31 December 2011: US\$40 million) 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.

## Notes to the Financial Statements (Continued)

### 17. Related Party Transactions

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

Nature of transactions	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
<b>Fellow subsidiaries</b>		
Property development project construction fees	133,673	105,219
Rental income	5,208	5,208
Insurance fee	1,795	1,136
Security service income	11,887	8,789
<b>Associates</b>		
Interest income	6,168	6,168
Royalty income	51,427	20,542
Rental expense	7,674	—
Property management income	2,142	—
<b>Non-controlling interests</b>		
Interest expenses	21,394	21,394
<b>Jointly controlled entities</b>		
Interest income	23,809	169,211
Property development project construction income	472,599	—

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Short-term benefits	16,646	14,050
Mandatory Provident Fund contribution	25	30
	16,671	14,080



## Others

### Interim Dividend and Special Dividend

The Board declared the payment of an interim dividend for the six months ended 30 June 2012 of HK15 cents per share (2011: HK13 cents per share) and a special dividend for celebrating the 20th listing anniversary of the Company of HK2 cents per share, both to shareholders whose names appear on the register of members of the Company on Monday, 3 September 2012. The interim dividend and the special dividend will be payable on Thursday, 13 September 2012.

### Closure of Register of Members

To ascertain the shareholders' entitlement to the interim dividend and the special dividend, the register of members of the Company will be closed on Monday, 3 September 2012, during which time no transfer of shares will be registered.

In order to qualify for the interim dividend and the special dividend, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates should be lodged with the Company's registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 31 August 2012.

### Share Capital

The Company's total issued share capital as at 30 June 2012 was 8,172,519,077 ordinary shares of HK\$0.10 each.

## Others (Continued)

### Information on Share Options of the Company

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

- (1) Movement of share options during the six months ended 30 June 2012 (“**the Period**”):

Name	Date of Grant	Outstanding at 01.01.2012	Number of underlying shares comprised in options			Outstanding at 30.06.2012
			Adjustment/ Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	
<b>Directors</b>						
Mr. Kong Qingping	18.06.2004 (vi)	1,359,334	—	—	—	1,359,334
	<b>Sub-Total</b>	<b>1,359,334</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,359,334</b>
Aggregate of other employees*	24.10.2001 (v)	—	—	—	—	—
	18.06.2004 (vi)	1,456,429	—	—	—	1,456,429
	<b>Sub-Total</b>	<b>1,456,429</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,456,429</b>
	<b>Grand Total</b>	<b>2,815,763</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,815,763</b>

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

- (2) At 30 June 2012, the options granted to subscribe for 2,815,763 Shares remained outstanding, representing approximately 0.03% of the issued share capital of the Company at that date. No options to subscribe for Shares have been cancelled during the six months ended 30 June 2012.

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

## Others (Continued)

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

- (3) During the six months ended 30 June 2012 (“**the Period**”), no options to subscribe for Shares of the Company were exercised.

Notes:

- (a) *Particulars of share options granted:*

	Date of Grant	Vesting Period (both days inclusive)	Exercise Period (both days inclusive)	Exercise Price Per Share (HK\$)	Note
(i)	17.07.1997	17.07.1997 – 16.07.1998	17.07.1998 – 16.07.2007	4.06	Lapsed
(ii)	14.02.1998	14.02.1998 – 13.02.1999	14.02.1999 – 13.02.2008	1.08	Lapsed
(iii)	30.09.1998	30.09.1998 – 29.09.1999	30.09.1999 – 29.09.2008	0.52	Lapsed
(iv)	04.01.2000	04.01.2000 – 03.01.2001	04.01.2001 – 03.01.2010	0.58	Lapsed
(v)	24.10.2001	24.10.2001 – 23.10.2002	24.10.2002 – 23.10.2011	0.69	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 <sup>#</sup> )	

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

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

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

## Others (Continued)

### Directors' and Chief Executive's Interests in Securities

At 30 June 2012, 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 Issuers:

(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	—	5,353,172	0.066%
Mr. Xiao Xiao	1,935,244	—	1,935,244	0.024%
Mr. Wu Jianbin	2,119,372	—	2,119,372	0.026%
Mr. Dong Daping	534,353	—	534,353	0.007%
Mr. Luo Liang	750,080	—	750,080	0.009%
Mr. Lin Xiaofeng	1,271,825	—	1,271,825	0.016%
Dr. Li Kwok Po, David	10,000,000	—	10,000,000	0.122%



## Others (Continued)

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

(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	4,950,000	4,950,000	0.217%
Mr. Luo Liang	105,000	105,000	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 30 June 2012 (i.e. 8,172,519,077 shares).
3. The share options were granted on 14 September 2005 and the adjusted exercise price per share option is currently HK\$0.2254 (particulars of adjustments: the exercise price per option was HK\$1.03 at the time of grant on 14 September 2005; the exercise price was adjusted to HK\$0.99 immediately after the completion of open offer on 10 September 2007 and further adjusted to HK\$0.2475 immediately after the share subdivision approved on 12 June 2008; the exercise price was then adjusted to HK\$0.2345 immediately after the completion of rights issue on 1 September 2009 and to HK\$0.2254 immediately after the completion of rights issue on 16 May 2011). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("**Limit**") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).
4. The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 30 June 2012 (i.e. 3,587,447,383 shares).
5. The percentage has been adjusted based on the total number of shares of China Overseas Grand Oceans Group Limited in issue as at 30 June 2012 (i.e. 2,282,239,894 shares).

## Others (Continued)

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

Besides, Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin, Dong Daping, Luo Liang, Lin Xiaofeng and Dr. Li Kwok Po, David held respectively 3,060,400; 1,713,780; 1,879,278; 3,306,240; 1,658,447; 3,531,469; 737,528 and 1,404,200 shares in China State Construction International Holdings Limited ("CSCIHL"), associated corporation of the Company. Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao and Wu Jianbin also held respectively 3,288,848; 959,247; 959,247 and 959,247 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, Dong Daping, Luo Liang, Lin Xiaofeng and Dr. Li Kwok Po, David respectively are 6,349,248; 2,673,027; 2,838,525; 4,265,487; 1,658,447; 3,531,469; 737,528 and 1,404,200, representing 0.177%, 0.075%, 0.079%, 0.119%, 0.046%, 0.098%, 0.021% and 0.039% 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 Issuers 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.

## Others (Continued)

### Substantial Shareholders' Interests in Securities

At 30 June 2012, 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 of the Stock Exchange) 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)	
Silver Lot Development Limited ("Silver Lot")	509,136,928	—	—	6.23%	—	Beneficial owner
China Overseas Holdings Limited ("COHL")	3,837,380,380	—	—	46.95%	—	Beneficial owner
	509,136,928 (Note 2)	245,197,740	—	6.23%	3.00%	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("CSCECL")	4,346,517,308 (Note 3)	245,197,740	—	53.18%	3.00%	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC")	4,346,517,308 (Note 3)	245,197,740	—	53.18%	3.00%	Interest of controlled corporation
JP Morgan Chase & Co.	75,655,407 167,356,960 247,917,596	30,180,253 — —	247,917,596 — —	6.01%	0.37%	3.03% Beneficial owner Investment manager Custodian 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 30 June 2012 (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 509,136,928 Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.

## Others (Continued)

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

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 4,346,517,308 Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.*

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

### Model Code for Securities Transactions by Directors

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The directors have confirmed that they have complied with the requirements set out in the Securities Code during the six months ended 30 June 2012.

### Corporate Governance

During the six months ended 30 June 2012, the Company has complied with all the provisions (except Code Provision A.4.1, A.4.2 and A.6.7 as stated below) and with most of the recommended best practices of the Code on Corporate Governance Practices/ Corporate Governance Code from time to time as set out in Appendix 14 to the Listing Rules.

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

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

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

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

## Others (Continued)

### Corporate Governance (Continued)

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

However, through the operation of the internal mechanism adopted by the Company below, the terms of appointment of all directors are three years or less. Thus the Company is merely technically not complied with Code Provision A.4.1 and A.4.2.

- (1) the newly appointed director will retire and be eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and
- (2) any director (including Executive Chairman or Managing Director), who is not required by the Articles to retire by rotation at the AGM in the third year since his last election, will be reminded to retire from office voluntarily.

*Code Provision A.6.7 — This Code Provision stipulates that Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.*

All the directors of the Company have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation and most of the directors (including all independent non-executive directors) were present in the annual general meeting for exchanging views with the shareholders.

Messrs. Wu Jianbin and Zheng Xuexuan, both are non-executive directors of the Company and both due to commitment in mainland China, were unable to attend the annual general meeting of the Company held on 30 May 2012. Thus, the Company has not complied with the whole Code Provision A.6.7.

Save as disclosed above, as at 10 August 2012, the Company has not complied with Rule 3.10A of the Listing Rules which provides that an issuer must appoint independent non-executive directors representing at least one-third of the Board and it allows the issuer to comply with this rule by 31 December 2012. The Company will nevertheless, in early compliance with this rule after the effective of the change of the directors, as announced separately on 10 August 2012, from 11 August 2012.



## Others (Continued)

### Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2011 Annual Report up to 10 August 2012 (the date of this Interim Report) are set out as below:

- Dr. Li Kwok Po, David retired as an Independent Non-executive Director of COSCO Pacific Limited, a company listed on The Stock Exchange of Hong Kong Limited, and stepped down as Chairman of the Hong Kong Management Association.
- Mr. Zheng Xuexuan was appointed as an Assistant General Manager of China State Construction Engineering Corporation Limited, the Company's second ultimate controlling shareholder and a company listed on the Shanghai Stock Exchange.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Review of Interim Report by Audit Committee

The Audit Committee of the Board of Directors has reviewed the Company's 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.



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



香港皇后大道東一號太古廣場三座十樓  
10/F., Three Pacific Place  
1 Queen's Road East, Hong Kong  
電話 Tel : 2823 7888  
傳真 Fax : 2865 5939  
網頁 Website : [www.coli.com.hk](http://www.coli.com.hk)

