



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

Stock Code 股份代號: 00688

*A Trusted Brand
Growing Through
Diligence and Care*

Interim Report 2013 中期報告

精耕細作 品牌經營





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Corporate Structure

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



* Property development in 38 major cities in mainland China, including Beijing, Shanghai, Shenzhen, Guangzhou, Foshan, Suzhou, Hangzhou, Shenyang, Chongqing, Xi'an, Changchun, Changsha, Chengdu, Dalian, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Qingdao, Tianjin, Wuhan, Xiamen, Yantai, Zhongshan, Zhuhai, Changzhou#, Ganzhou#, Guilin#, Jilin#, Hefei#, Hohhot#, Lanzhou#, Nanning#, Nantong#, Yancheng#, Yangzhou#, Yinchuan# as well as in Hong Kong and Macau.

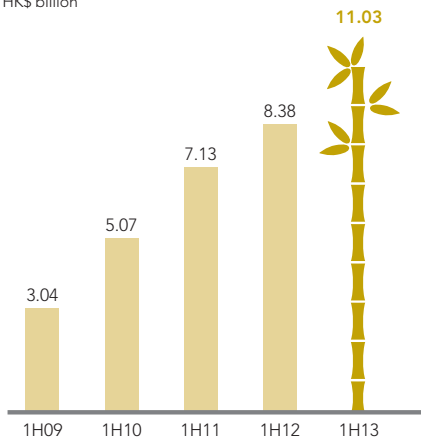
The cities where China Overseas Grand Oceans Group Limited "COGO" has operations; COGO also has projects in Beijing and Guangzhou.



Financial Highlights

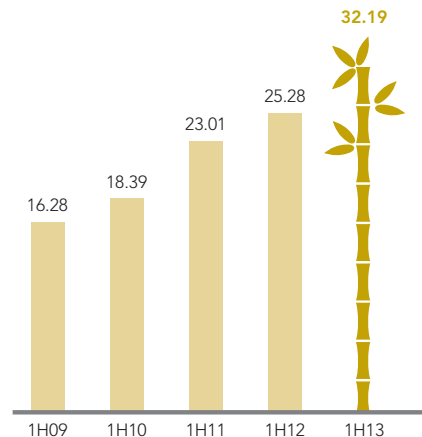
Growth in Profits Attributable to Equity Shareholders of the Company

HK\$ billion



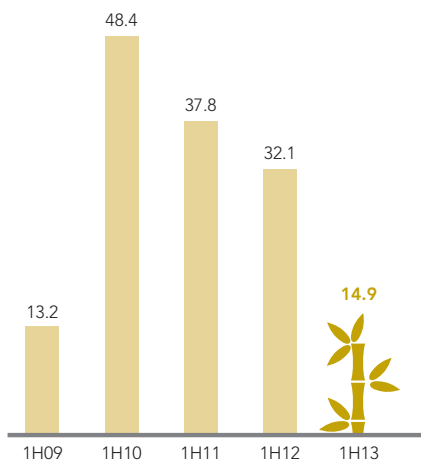
Growth in Turnover

HK\$ billion



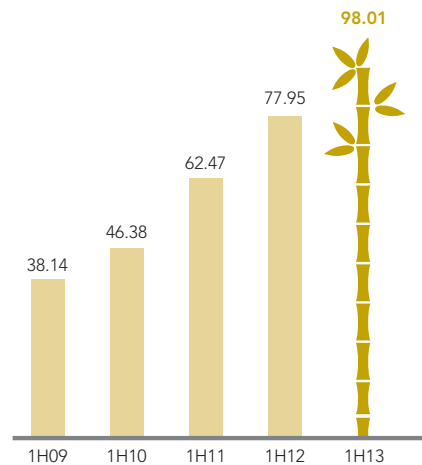
Change in Net Gearing Ratio

%



Growth in Shareholders' Fund

HK\$ billion





Board of Directors and Committees

Chairman

(see notes below)

Kong Qingping

Executive Directors

(see notes below)

Hao Jian Min *Vice Chairman and
Chief Executive Officer*

Xiao Xiao *Vice Chairman*

Nip Yun Wing

Luo Liang

Guo Yong

Kan Hongbo

Non-Executive Director

Zheng Xuexuan

Independent Non-Executive Directors

Lam Kwong Siu

Wong Ying Ho, Kennedy

Fan Hsu Lai Tai, Rita

Li Man Bun, Brian David

Authorised Representatives

(see notes below)

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 Man Bun, Brian David*

Lam Kwong Siu

Wong Ying Ho, Kennedy

Fan Hsu Lai Tai, Rita

Remuneration Committee

Wong Ying Ho, Kennedy*

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

Li Man Bun, Brian David

Nomination Committee

Fan Hsu Lai Tai, Rita*

Lam Kwong Siu

Wong Ying Ho, Kennedy

Li Man Bun, Brian David

* Committee Chairman

Notes:

The following changes, as announced on 5 August 2013, be effected from 6 August 2013:

- (1) Resignation of Mr. Kong Qingping as an executive director of the Company and consequently cease to be the Chairman of the Company;
- (2) Mr. Hao Jian Min be elected as Chairman of the Company to fill the vacancy and will continue to act as chief executive of the Company; and
- (3) Appointment of Mr. Chen Yi as an executive director of the Company.

The following be effect from 6 August 2013:

- (1) Mr. Hao Jian Min and Mr. Xiao Xiao be the authorized representatives of the Company; and
- (2) Mr. Nip Yun Wing be the alternate authorized representative to Mr. Hao Jian Min and Mr. Xiao Xiao.



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

Mayer Brown JSM

Independent Auditor

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

Financial Calendar

Interim results : 5 August 2013
announcement
Share register closed : 28 August 2013
Interim dividend : 9 September 2013
payable

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

	SEHK	Bloomberg	Reuters
Note 1 :	China OVS N2011 Code: 4503	EI4567265	XS0508012092
Note 2 :	China OVS N1702 Code: 4533	EJ0197768	XS0745169044
Note 3 :	China OVS N2211 Code: 4579	EJ4365304	XS0852986156
Note 4 :	China OVS N4211 Code: 4580	EJ4365403	XS0852986313

Note 1: US\$1,000,000,000 5.50 per cent. Guaranteed Notes due November 2020 issued by China Overseas Finance (Cayman) II Limited, a wholly owned subsidiary of the Company.

Note 2: US\$750,000,000 4.875 per cent. Guaranteed Notes due February 2017 issued by China Overseas Finance (Cayman) IV Limited, a wholly owned subsidiary of the Company.

Note 3: US\$700,000,000 3.95 per cent. Guaranteed Notes due November 2022 issued by China Overseas Finance (Cayman) V Limited, a wholly owned subsidiary of the Company.

Note 4: US\$300,000,000 5.35 per cent. Guaranteed Notes due November 2042 issued by China Overseas Finance (Cayman) V Limited, a wholly owned subsidiary of the Company.

Investor Relations

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Corporate Communications Department
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Public Relations

For any enquiries, please contact:
Corporate Communications Department
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Facsimile : (852) 2529 9211
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Chairman's Statement

Business Review

The world economy remained complicated and fast changing in the first half of 2013. The property market and unemployment in the United States have started to show some improvement. The Federal Reserve's plan for reducing the current quantitative easing program during the year has brought turbulence to the global financial market; there were clear signs of capital outflow from the emerging markets, thus increasing the economic downside risks; with the Euro zone sovereignty debt crisis lingering, the economic prospect in the Euro zone was badly affected. Japan has started to implement economic and monetary stimulus measures but its effects are yet to be seen.

During the first half of the year, the Central Government was determined to pursue economic reforms and structural adjustments amid deteriorating economic environment abroad. The foreign trade in China continued to slow down at a faster rate while capital investment and domestic consumption remained weak. The goal of seeking progress and quality improvement amid stability was achieved. The GDP growth in China was 7.6% for the first half of the year, which is still slightly higher than the target of 7.5% for the whole year.

Strict tightening measures continued to apply to the China property market. Due to strong rigid demand, rise in both the home price and transaction volume was seen. There was improvement in the sentiment of the land market as well.

Economic development in Hong Kong and Macau was stable. The property market transactions have slowed down after the launch of the tough tightening measures.

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 contracted sales amount (including sales by joint ventures and associated companies) was a record high of HK\$80.07 billion for the first half of the year; the corresponding sales area was 5.24 million sq m. Sales of properties in mainland China amounted to HK\$78.49 billion; the corresponding sales area was 5.23 million sq m. Sales of properties in Hong Kong and Macau were satisfactory and the sales amount was HK\$1.58 billion.



Chairman's Statement (Continued)

Business Review (Continued)

The business performance of the Group for the first half of year 2013 was excellent. The profit attributable to equity shareholders of the Company increased by 31.6% to a record high of HK\$11.03 billion (equivalent to RMB8.82 billion), of which HK\$1.51 billion of profit after tax was related to the increase in the fair value of the investment property portfolio and HK\$1.46 billion was related to fair value remeasurement of the Group's previously held equity interests in the projects immediately prior to acquisition of certain interests of 3 projects from the real estate fund. Hence, the core profit of the Group increased by 26.7% and reached HK\$8.06 billion (equivalent to RMB6.45 billion).

The total turnover of the Group (not including those of the jointly controlled entities and the associated companies) was HK\$32.19 billion, representing an increase of about 27.3% as compared to the corresponding period last year. The turnover of the Group's property development business in mainland China was HK\$29.59 billion, accounting for 91.9% of the total turnover. The turnover of the Hong Kong and Macau was HK\$650 million, accounting for 2.0% of the total turnover. Taking into account turnover of the jointly controlled entities attributable to the Group, the total amount increased to HK\$38.36 billion. The operating profit of the Group was HK\$13.17 billion, an increase of 7.8% as compared to the corresponding period of last year. The operating profit of the property development business in mainland China was HK\$10.08 billion, making up 76.5% of operating profit. The gross profit margin was maintained at a satisfactory level of in the industry while a substantial amount of the properties held for sale was sold. The operating profit of the property business in Hong Kong and Macau was HK\$220 million, making up 1.7% of operating profit. The gross profit margin was 41.2%.

At end of June 2013, 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\$16.84 billion. The Group is glad to see that the contribution from investments in joint ventures has gradually seen, with net profit reaching HK\$1.22 billion for the first half of the year. China Overseas Grand Oceans Group Limited ("COGO") is an associated company of the Group and COGO contributed profit of about HK\$410 million to the Group. The joint ventures and associated companies together contributed net profit amounting to HK\$1.63 billion to the Group during the first half of the year.

During the period, projects (including those by the joint ventures) with gross floor area ("GFA") of 1.90 million sq m were completed in and outside China. The Group's value of sales recognized as turnover in the first half of 2013 was HK\$16.88 billion. The Group's sales of properties completed before 2013 was satisfactory, with about 630,000 sq m sold for HK\$13.36 billion.



Chairman's Statement (Continued)

Business Review (Continued)

The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the period was HK\$400 million, representing an increase of 63.6% 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\$29.60 billion. The money spent was mainly on payment of land premium and construction 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\$10.69 billion was spent on taxation expenses and operation and marketing expenses. Due to increase in sales and increased effort on collecting sales proceeds the Group succeeded in collecting about HK\$43.52 billion (an increase of 40.5% as compared to the same period last year) from the buyers during the period rendering the Group's consolidated net gearing ratio reduced from 20.5% at the end of 2012 to 14.9% at end of June 2013. 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 in entering into 5-year loan agreements with various leading banks raising HK\$6.25 billion in the first half of the year. Coupled with a HK\$5.75 billion bridge loan agreement signed with 4 banks on 20 June 2013, the Group raised about HK\$12.0 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 increased to HK\$98.01 billion; the Group had bank loans and guaranteed notes payable amounted respectively to HK\$45.24 billion and HK\$21.16 billion; and bank balances and cash amounted to approximately HK\$51.80 billion and unutilized banking facilities amounted to approximately HK\$9.37 billion.

In February, the Company was awarded BBB+/Stable investment credit rating by Fitch Ratings. Subsequently, the investment grade rating issued by Moody's was upgraded to Baa1/Stable while that of Standard & Poor's was upgraded to BBB+/Stable. This reflects the recognition of the market to the Group's solid and stable financial profile and its market-leading status.



Chairman's Statement (Continued)

Prospect

It is expected that the possible reduction of the quantitative easing measures by the United States within 2013 will from time to time cause turbulence to the global financial markets. Even with the implementation of quantitative easing measures in Europe and Japan, the economic recovery of the advanced countries will remain slow. Under the threat of asset bubbles, the downside risks of the emerging markets are on the rise. In order to keep the economy on a healthy, balanced and sustainable track, and under the strategy of combating inflation and moving ahead with structural reform, the Chinese government is determined to adopt prudent monetary policy. Liquidity in the financial market will be tightened and the situation could be worsened with the Central Government encourages the banking sector to allocate more resources to industries undergoing reform. This may have short term effect on the momentum of the economic growth. And the slowdown in the economic growth of China may in turn add uncertainty to the global economic growth.

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 Group will firmly push ahead with its branding strategy. The Group will strive to pursue the goal of development, sale and cash collection in a fast 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. Under a market environment with tight liquidity, market consolidation will proceed at a faster manner. Property developers which are weak in managerial and financial capability and with a high gearing will likely be eliminated. This is favorable to the Group as the market presents more opportunities than challenges to the Group.

It is expected that the property market in Hong Kong and Macau will consolidate at the present high level. The rigid demand is strong 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 step up its 2013 sales target to HK\$120 billion.

In the first half of the year, the Group acquired 8 land parcels in 8 mainland cities while COGO acquired 3 land parcels, adding total GFA of about 4.62 million sq m to the land reserve. The Group also acquired 2 land parcels in Hong Kong. As at end June, the total land bank of the Group was 36.49 million sq m (attributable interest of about 33.29 million sq m) while COGO had land bank of about 9.64 million sq m (attributable interest of about 8.38 million sq m). With a better market in the first half of the year, the strict tightening measures will continue to be in place. The Group will watch closely the possibility of further tightening. 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 the second half of the year.

In July, the Group acquired 3 land parcels in 2 mainland cities with GFA of about 750,000 sq m.

The Group strives to expedite its development through joint venture cooperation and mergers and acquisitions. In view of the Group's strong cash position and low funding costs, the Group repurchased the three projects cooperated with the real estate fund at end May.

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 secure more funding at suitable times. The property market as well as the financial market could be quite volatile in the second half of the year. 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 is very confident of the future of the Group. The Group will persistently enhance its competitive advantages through improvement in its management capability, operation mode 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

Lastly, I wish to express my heartfelt appreciation to the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

By Order of the Board

China Overseas Land & Investment Limited

Kong Qingping

Chairman

Hong Kong, 5 August 2013



Management Discussion & Analysis

Overall Performance

During the six months ended 30 June 2013, the turnover of the Group was HK\$32.19 billion (the corresponding period in 2012: HK\$25.28 billion), representing an increase of about 27.3%. The operating profit was HK\$13.17 billion (the corresponding period in 2012: HK\$12.23 billion), representing an increase of 7.8%. Profit attributable to equity shareholders of the Company amounted to HK\$11.03 billion (the corresponding period in 2012: HK\$8.38 billion), representing an increase of 31.6%. Basic earnings per share was HK\$1.35 (the corresponding period in 2012: HK\$1.03), an increase of 31.1%, while diluted earnings per share was HK\$1.34 (the corresponding period in 2012: HK\$1.02).

As at 30 June 2013, the equity attributable to equity shareholders of the Company was HK\$98.01 billion (31 December 2012: HK\$87.24 billion), an increase of 12.3% as compared to the end of the previous year, while the book value of net asset per share was HK\$12.0 (31 December 2012: HK\$10.7), an increase of 12.1% 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\$30.24 billion, increased by 27.3%. The turnover of property sales in mainland China was HK\$29.59 billion, the turnover of property sales in Hong Kong and Macau was HK\$650 million. Turnover from property sales mainly related to property projects such as Residence 9 and Perfect Manor in Beijing, No.1 Lake Lantern and Golden Sand Coast in Foshan, the Phoenix in Nanjing, International Community in Jinan, Golden Sand Masion in Chengdu, the Olympic City in Shenzhen, Midtown in Zhuhai and the International Community in Xiamen.

Profit from property sales (including the Group's share of profits of associates and jointly controlled entities) amounted to HK\$11.94 billion, an increase of 19.6%.

Property Rental

Turnover from property rental of the Group amounted to HK\$400 million, an increase of 63.6%. The rise in rental income was mainly due to higher market rent and increased contributions from new investment properties completed at the end of previous year. Segment results amounted to HK\$2.30 billion which include the gain arising from changes in fair value of investment properties amounting to HK\$1.96 billion (net income after deferred tax was HK\$1.51 billion). Operating profit was HK\$340 million, an increase of 61.9%.



Management Discussion & Analysis (Continued)

Other Operations

Turnover from other operations amounted to HK\$1.55 billion, an increase of 21.5%.

Property Development

The global economy was complicated and fast changing in the first half of the year. The momentum for economic growth in China has gradually slowed down. Although confronted with the strict tightening measures, strong rigid demand and limited investment channels in the mainland led to a better property market environment. Rise in the property price and transaction volume was seen. Economic development in Hong Kong and Macau was relatively stable. The property market was slow after the launch of the tightening measures.

As the leader in the mainland property sector, China Overseas Property has been pursuing sustainable and balanced development. With annual sales targeting over HK\$100 billion, the Group will strive to ensure that it has ample saleable resources under any market condition. The sales in each month should also be relatively stable. The Group intensified its sales effort upon seeing improvement in the market sentiment, recording historical high contracted sales of HK\$80.07 billion in the first half of 2013 (corresponding sales area of 5.24 million sq m). The average monthly sales for the first half of the year was HK\$13.3 billion. During the period, sales for each month exceeded HK\$10 billion. Due to the Lunar New Year holidays, February recorded the lowest sales of HK\$10.7 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 91.9% of the turnover, 76.5% of the operating profit, and with the gross profit margin staying high at a satisfactory level.



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 2013, 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\$16.84 billion. All the joint ventures are financially sound. As at end of June 2013, there were bank and cash balances of HK\$12.09 billion in aggregate against aggregate bank borrowings of only HK\$3.45 billion for these joint ventures. As expected, contribution from joint venture cooperation will gradually increase. In the first half of the year, sales from joint ventures reached HK\$16.19 billion and the turnover was HK\$10.42 billion (mainly from the Amethyst in Shanghai, the Manor Park in Ningbo and La Cité in Chongqing), and the Group recorded a net profit of about HK\$1.22 billion. Furthermore, COGO as the major associated company of the Group, reported good performance in the first half of the year with profit attributable to equity shareholders of about HK\$1.56 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\$410 million.

A total of 18 projects (including those by the joint ventures) were completed in 12 cities in mainland China and the Grandeur Project was completed in Hong Kong. Projects with GFA of 1.90 million sq m were completed in and outside China during the period.



Management Discussion & Analysis (Continued)

Property Development (Continued)

The major projects completed for occupation were:

City	Name of Project	GFA ('000 sq m)
Beijing	Residence 9	215
Jinan	International Community	113
Changchun	Golden Violet	77
Nanjing	The Phoenix II	112
Zhongshan	Dragon Bay II	189
Foshan	Golden Sand Coast East III	149
Foshan	No.1 Lake Lantern I	257
Xi'an	Greenwood Cove	69
Zhuhai	Midtown I	105
Hong Kong	The Grandeur	10
Shanghai	The Amethyst #	104
Suzhou	Gusu Mansion #	81
Jinan	Dragon Manor #	66
Total		1,547

Joint venture projects

The Group's sales of properties completed before 2013 were satisfactory with about 630,000 sq m sold for HK\$13.36 billion. At the end of June, properties held for sale were only 1.09 million sq m, a drop of 12.8% as compared to the end of last year; properties held for sales for joint ventures amounted to 380,000 sq m, a drop of 51.2% as compared to the end of last year.

Management Discussion & Analysis (Continued)

Property Development (Continued)

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 8 land parcels in Kunming, Beijing, Nanjing, Xi'an, Changchun, Jinan, Shenyang and Hangzhou, adding GFA of about 3.16 million sq m to its land reserve. Taking into account the 1.46 million sq m of land reserve related to the 3 land parcels acquired by COGO in Hohhot, Yancheng and Changzhou, land with GFA of 4.62 million sq m in mainland China was acquired in the first half of the year. The Group also acquired 2 land parcels in Hong Kong at a consideration of HK\$4.54 billion. 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. It is encouraging to see that of the 8 land parcels acquired by the Group in the first half of 2013, 6 of them were acquired at the reserve price. This will provide a solid base for the profitability of these projects.

The land parcels added in the first half of year 2013 were:

City	Name of Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
New land acquisitions of the Group				
Kunming	Guandu District Project	65%	173	377
Beijing	Shijingshan District Project	100%	38	160
Nanjing	Jiangning District Project	100%	234	931
Xi'an	Qujiang New District Project	100%	134	584
Changchun	Nanguan District Project	100%	70	188
Jinan	Gaoxin District Project	100%	102	287
Shenyang	Dongling District Project	100%	236	547
Hong Kong	Kai Tak Project	100%	16	82
Hangzhou	Jiangan District Project	100%	15	91
Sub-total			1,018	3,247
New land acquisitions of COGO				
Hohhot	Xing'annan Road Project	100%	123	404
Yancheng	Juheng Road Project	65%	147	472
Changzhou	Fenghuang Road Project	100%	158	583
Sub-total			428	1,459
Total			1,446	4,706



Management Discussion & Analysis (Continued)

Property Development (Continued)

It is expected that China will continue to adopt prudent monetary policy in the second half of the year and liquidity in the market will be tightened. Liquidity for the property sector could be adversely affected with the Central Government encourages the banking sector to allocate more resources to the industries undergoing reform. Transaction volume for the property market will likely be reduced. Financing costs for medium to small property developers will increase and financing could be difficult for them. This will lead to market consolidation in a faster manner. 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 adhere strictly to prudent financial management and the strategy of sustainable development. Replenishment of high value land parcels at reasonable price, faster development, more effective 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.

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 about HK\$7.5 billion through the arrangement of syndicated loan or bilateral loans in and outside China during the first half of the year. Also a bridge loan of HK\$5.75 billion was arranged with 4 banks towards the end of June. 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 to 14.9% from 20.5% as at the end of last year. Interest cover (measured by the ratio of operating profit less interest income to the total interest expenses) decreased from 14.0 times at the end of June 2012 to 11.6 times, still at a satisfactory level. The weighted average borrowing costs of the Group was maintained at 3.8% (total finance costs divided by the weighted average borrowings), but could still be at the lowest level for the industry. Mainly due to the effect of increased borrowing costs, the total finance costs increased to HK\$1.11 billion and by about 25.7% as compared to the corresponding period of the last year.

As at 30 June 2013, consolidated bank borrowings and guaranteed notes of the Group amounted to HK\$45.24 billion (31 December 2012: HK\$37.64 billion) and HK\$21.16 billion (31 December 2012: HK\$21.15 billion) respectively, of which 54.6% was denominated in Hong Kong dollars, 32.6% was denominated in U.S. dollars and 12.8% was denominated in Renminbi.



Management Discussion & Analysis (Continued)

Liquidity, Financial Resources and Debt Structure (Continued)

As at 30 June 2013, the Group had bank balances and cash amounting to approximately HK\$51.80 billion (of which 14.6% was denominated in Hong Kong dollars, 1.7% was denominated in U.S. dollars, 83.6% was denominated in Renminbi and minimal amounts were denominated in other currencies) and unutilized banking facilities amounting to approximately HK\$9.37 billion.

All bank borrowings of the Group are 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.

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 2012 award". In June, the Company was granted by Corporate Governance Asia "The 9th Corporate Governance Asia Recognition Awards 2013". In July, the Company was awarded by the world-renowned institution, the League of American Communications Professionals LLC the 2012 Annual Report "Vision Awards" Gold Winner and was elected as one of the "Top 50 Chinese Annual Reports".



Management Discussion & Analysis (Continued)

Corporate Citizenship

"To serve the community" has always been the corporate motto, philosophy and mission of the Group. The Group has always tried its utmost to commit its corporate social responsibilities and share its success with the community. Through its hearty and active involvement in charitable activities, educational contributions, environment protection, improvement of quality life, customer service and staff development, the Group succeeds in promoting a harmonious and balanced community.

To fulfill its commitment to donate and build one Hope School in China every year, having previously built Hope school since 2005 in Hanzhong in Shaanxi, Changchun in Jilin, Nanchuan and Yunyang in Chongqing, Shenyang in Liaoning, Dujiangyan in Sichuan, Jinan in Shandong, Yinchuan in Ningxia and Kaifa in Zhejiang, on 16 April the Group has granted the donation for constructing the 10th China Overseas Hope School in Yuanling this year. The completed school will have 23,275 square meters of land and benefit 1,200 students.

As a leading property developer in China, while building residential units of the highest standard the Group also places great emphasis on environmental protection and energy conservation. "Low carbon emission" and "Green buildings" concepts are widely adopted as part of the business development strategy and in planning and construction phases. The Group emphasizes on low energy consumption, environmental protection, healthy living environment and ecological concepts 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 human resources strategy as vital to the Group. They represent the key pillars in developing an evergreen enterprise capable of facilitating the rapid expansion of the Group in this dynamic environment. The Group has always committed in refining human resources management systems to maintain its own competitiveness, provide quality services and implement sustainable corporate development.

As the size of the business keep on expanding, the Group has decided to incorporate human resources management as part of the Group's key strategy in 2013. This includes enhancing organizational management and staff recruitment guidelines and policies as key foundation, together with refining the management processes and institutional policies. These optimize the business performance and strengthen the Group's competencies in talent selection, measurement, retention, development and maintaining persistent enhancement of human capital.

As at the end June 2013, the Group had 18,255 employees. In attracting talents, the Group has operated structured and tailored recruitment schemes on both graduate level and experienced hire. Through the "Sons of the Sea (海之子)" and "Sea's Recruits (海納)" elite schemes, a large number of professional and talented staff were added to the management team, alongside with new blood with huge potential recruited from numerous renowned universities. This enables the Group to continue in pursuing rapid expansion plans and further nurturing the talent pool. As of the first half of 2013, 52 staff was recruited through the "Sons of the Sea" while 201 staff were recruited through the "Sea's Recruits".

Condensed Consolidated Income Statement

The unaudited consolidated results of the Group for the six months ended 30 June 2013 and the comparative figures for the corresponding period in 2012 are as follows:

	Notes	Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Turnover	4	32,188,481	25,282,063
Cost of sales		(19,149,262)	(13,833,705)
Direct operating expenses		(1,362,399)	(1,098,028)
		11,676,820	10,350,330
Other income, gains and losses		735,940	263,391
Gain arising from changes in fair value of and transfer to investment properties		1,963,974	2,567,402
Selling and distribution costs		(449,536)	(358,436)
Administrative expenses		(753,732)	(597,124)
Operating profit		13,173,466	12,225,563
Fair value remeasurement of the Group's previously held equity interests in jointly controlled entities immediately prior to acquisitions	14	1,458,176	-
Share of profits of			
Associates		412,357	194,210
Jointly controlled entities		1,216,310	367,678
Finance costs	5	(151,258)	(111,753)
Profit before tax		16,109,051	12,675,698
Income tax expenses	6	(5,008,753)	(4,253,516)
Profit for the period	7	11,100,298	8,422,182
Attributable to:			
Owners of the Company		11,032,502	8,384,721
Non-controlling interests		67,796	37,461
		11,100,298	8,422,182
Interim dividend at HK18 cents per share (2012: HK15 cents per share and a special dividend of HK2 cents per share)	8	1,471,071	1,389,328
		HK\$	HK\$
EARNINGS PER SHARE			
Basic	9	1.35	1.03
Diluted		1.34	1.02
Group turnover		32,188,481	25,282,063
Share of turnover of jointly controlled entities		6,172,656	2,938,784
		38,361,137	28,220,847



Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period	11,100,298	8,422,182
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Exchange differences on translation of the Company and subsidiaries	1,387,291	(364,079)
Exchange differences on translation of jointly controlled entities	236,411	(45,366)
	1,623,702	(409,445)
<i>Items that may be reclassified to profit and loss</i>		
Exchange differences on translation of associates	90,976	(15,122)
Other comprehensive income for the period	1,714,678	(424,567)
Total comprehensive income for the period	12,814,976	7,997,615
Total comprehensive income attributable to:		
Owners of the Company	12,731,610	7,962,764
Non-controlling interests	83,366	34,851
	12,814,976	7,997,615



Condensed Consolidated Statement of Financial Position

		30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current Assets			
Investment properties	10	26,622,650	23,657,327
Property, plant and equipment		1,020,268	975,862
Prepaid lease payments for land		158,085	161,996
Interests in associates		4,063,964	3,612,633
Interests in jointly controlled entities		10,250,544	13,579,848
Investments in syndicated property project companies		18,369	18,369
Amounts due from jointly controlled entities		2,830,434	5,317,039
Pledged bank deposits		58,817	51,436
Goodwill		109,021	109,021
Deferred tax assets		2,025,627	2,073,652
		47,157,779	49,557,183
Current Assets			
Inventories		30,859	24,238
Stock of properties		142,005,462	108,479,874
Land development expenditure		1,746,001	3,271,962
Prepaid lease payments for land		7,997	5,105
Trade and other receivables	11	2,399,509	2,598,854
Deposits and prepayments		7,439,096	3,838,625
Deposits for land use rights for property development		12,072,281	14,136,292
Amounts due from associates		231,543	196,947
Amounts due from jointly controlled entities		6,009,047	5,453,479
Amounts due from non-controlling interests		498,777	440,712
Tax prepaid		1,549,492	941,005
Bank balances and cash		51,741,667	40,880,412
		225,731,731	180,267,505



Condensed Consolidated Statement of Financial Position (Continued)

		30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Current Liabilities			
Trade and other payables	12	21,198,884	16,916,629
Pre-sales deposits		58,651,871	40,506,159
Rental and other deposits		1,012,364	816,645
Amount due to a fellow subsidiary		353,501	353,501
Amounts due to associates		276,932	228,520
Amounts due to jointly controlled entities		6,264,127	4,590,819
Tax liabilities		13,972,099	15,017,622
Borrowings — due within one year		10,297,430	5,545,557
		112,027,208	83,975,452
Net Current Assets			
		113,704,523	96,292,053
		160,862,302	145,849,236
Capital and Reserves			
Share capital	13	817,262	817,252
Reserves		97,197,168	86,426,887
Equity attributable to owners of the Company		98,014,430	87,244,139
Non-controlling interests		373,240	312,817
Total Equity			
		98,387,670	87,556,956
Non-current Liabilities			
Borrowings — due after one year		34,945,326	32,095,339
Guaranteed notes payable		21,158,154	21,147,701
Amounts due to non-controlling interests		2,107,385	2,017,849
Deferred tax liabilities		4,263,767	3,031,391
		62,474,632	58,292,280
		160,862,302	145,849,236



Condensed Consolidated Cash Flow Statement

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		1,398,592	1,691,197
INVESTING ACTIVITIES			
Dividend received from jointly controlled entities		1,001,579	–
Additions of investment properties		(642,376)	(837,542)
Repayment from/(advances to) jointly controlled entities		339,900	(429,833)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	14	(822,934)	–
Capital distribution from a jointly controlled entity		528,446	–
Other investing cash flows		118,599	74,178
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		523,214	(1,193,197)
FINANCING ACTIVITIES			
Interest paid		(1,060,387)	(834,964)
Cash dividends paid		(1,961,428)	(1,634,504)
New bank loans raised		12,201,620	7,828,387
Repayment of bank loans		(4,744,725)	(4,518,478)
Issue of guaranteed notes		–	5,780,319
Advances from jointly controlled entities		4,004,913	625,330
Other financing cash flows		46,354	106,955
NET CASH FROM FINANCING ACTIVITIES		8,486,347	7,353,045
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,408,153	7,851,045
CASH AND CASH EQUIVALENTS AT 1 JANUARY		39,879,598	17,841,478
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		619,217	(113,590)
CASH AND CASH EQUIVALENTS AT 30 JUNE		50,906,968	25,578,933
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		51,741,667	26,596,761
Less: restricted bank balances		(834,699)	(1,017,828)
		50,906,968	25,578,933



Condensed Consolidated Statement of Changes in Equity

	Unaudited										
	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Translation reserve	Other reserves	PRC statutory reserve	Retained profits	Total	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2012	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 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)	-	-	-	
At 30 June 2012	817,252	18,796,072	18,798	7,534,257	46,201	1,492,244	49,240,419	77,945,243	303,561	78,248,804	



Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited										
	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Translation reserve	Other reserves	PRC statutory reserve	Retained profits	Total	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2013	817,252	18,796,072	18,798	7,886,984	41,794	1,838,624	57,844,615	87,244,139	312,817	87,556,956	
Profit for the period	-	-	-	-	-	-	11,032,502	11,032,502	67,796	11,100,298	
Exchange differences on translation of the Company and subsidiaries	-	-	-	1,371,721	-	-	-	1,371,721	15,570	1,387,291	
Exchange differences on translation of associates	-	-	-	90,976	-	-	-	90,976	-	90,976	
Exchange differences on translation of jointly controlled entities	-	-	-	236,411	-	-	-	236,411	-	236,411	
Total comprehensive income for the period	-	-	-	1,699,108	-	-	11,032,502	12,731,610	83,366	12,814,976	
2012 final dividend paid	-	-	-	-	-	-	(1,961,428)	(1,961,428)	-	(1,961,428)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(27,500)	(27,500)	
Issue of shares upon exercise of share options	10	118	-	-	(19)	-	-	109	-	109	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	4,557	4,557	
Release of exchange reserve of jointly controlled entities upon acquisitions	-	-	-	(299,473)	-	-	299,473	-	-	-	
Transfer to PRC statutory reserve	-	-	-	-	-	1,672	(1,672)	-	-	-	
At 30 June 2013	817,262	18,796,190	18,798	9,286,619	41,775	1,840,296	67,213,490	98,014,430	373,240	98,387,670	



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 2012.

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

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



Notes to the Financial Statements (Continued)

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

The application of the above new or revised HKFRSs has had no material effect on the Group's results and financial position, except for certain disclosures in respect of amendments to HKAS 1 and HKFRS 13.

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 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets ¹
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ¹
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in progress of assessing 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 disclosure 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, foreign 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 2012 annual financial statements.

There have been no significant 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 property development activities
Property investment	—	property rentals
Other operations	—	revenue from real estate agency and management services, construction and building design consultancy services

Management closely monitors the selling activities for the property development projects carried out by its subsidiaries and jointly controlled entities. The analysis of the Group's share of turnover of jointly controlled entities and the share of results of jointly controlled entities by reportable segments are regularly provided to the management of the Group for the purpose of performance assessment as they form part of the critical components of the Group's financial performance. Therefore, management believes that the additional disclosure of the Group's share of turnover of jointly controlled entities (in addition to the HKFRS condensed consolidated income statement and in this note to the financial statements), together with the share of results of jointly controlled entities by reportable segments enables the readers to better understand how management oversees the results and performance of the jointly controlled entities in the property development segment.



Notes to the Financial Statements (Continued)

4. Turnover and Contribution (Continued)

Segment turnover and results

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

Six months ended 30 June 2013

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segment total HK\$'000
Segment turnover				
— from external customers	30,239,766	396,689	1,552,026	32,188,481
Group's share of turnover of jointly controlled entities	6,172,656	–	–	6,172,656
Turnover of the Group and Group's share of turnover of jointly controlled entities	36,412,422	396,689	1,552,026	38,361,137
Segment profit (including share of profits of associates and jointly controlled entities)	11,936,348	2,298,092	80,586	14,315,026
Group's share of profit of jointly controlled entities	1,216,310	–	–	1,216,310



Notes to the Financial Statements (Continued)

4. Turnover and Contribution (Continued)

Segment turnover and results (Continued)

Six months ended 30 June 2012

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



Notes to the Financial Statements (Continued)

4. Turnover and Contribution (Continued)

Reconciliation of reportable segment profit to the consolidated profit before tax

Segment profit includes profits from subsidiaries, share of profits of jointly controlled entities and share of profits of associates. This represents the profit earned by each segment without allocation of interest income, fair value remeasurement of the Group's previously held equity interests in jointly controlled entities immediately prior to acquisitions, corporate expenses, finance costs and net foreign exchange gains/(losses). This is the measure reported to the management for the purposes of resource allocation and performance assessment.

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Reportable segment profits	14,315,026	12,800,566
Unallocated items:		
Interest income	204,340	115,688
Fair value remeasurement of the Group's previously held equity interests in jointly controlled entities immediately prior to acquisitions	1,458,176	–
Corporate expenses	(77,658)	(23,978)
Finance costs	(151,258)	(90,359)
Net foreign exchange gains/(losses)	360,425	(126,219)
Profit before tax	16,109,051	12,675,698



Notes to the Financial Statements (Continued)

5. Finance costs

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Interest on bank loans and guaranteed notes wholly repayable within five years	680,210	516,400
Interest on guaranteed notes not wholly repayable within five years	390,630	326,132
Interest on amounts due to non-controlling interests	–	21,394
Other finance costs	41,843	21,330
Total finance costs	1,112,683	885,256
Less: Amount capitalised	(961,425)	(773,503)
	151,258	111,753

6. Income Tax Expenses

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax	44,127	149,551
PRC Enterprise Income Tax ("EIT")	2,443,031	1,699,260
PRC withholding income tax	169,100	58,247
PRC Land Appreciation Tax ("LAT")	1,901,393	1,825,263
	4,557,651	3,732,321
(Over)/under provision in prior years:		
Hong Kong profits tax	(89)	(6)
EIT	(5,772)	128
LAT	(12,612)	–
	(18,473)	122
Deferred tax:		
Current period	469,575	521,073
Total	5,008,753	4,253,516



Notes to the Financial Statements (Continued)

6. Income Tax Expenses (Continued)

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the period.

The EIT rate of PRC subsidiaries is 25% (2012: 25%).

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% (2012: 12%) in Macau.

7. Profit For the Period

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging/(crediting):		
Business taxes and other levies	1,728,346	1,183,484
Depreciation of property, plant and equipment	44,847	24,702
Amortisation of prepaid lease payments for land	3,998	1,443
Interest income	(227,064)	(145,701)
Net foreign exchange (gains)/losses	(360,425)	126,219

Notes to the Financial Statements (Continued)

8. Dividends

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
2012 final dividend paid of HK 24 cents per share (six months ended 30 June 2012: 2011 final dividend paid of HK20 cents per share)	1,961,428	1,634,504

The Board has determined that an interim dividend of HK18 cents per share (2012: HK15 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 28 August 2013.

9. Earnings Per Share

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to the owners of the Company	11,032,502	8,384,721
Adjustment to the profit of the Group based on diluted earnings per share of China Overseas Grand Ocean Group Limited ("COGO") (Note)	(42,164)	(12,011)
Earnings for the purpose of diluted earnings per share	10,990,338	8,372,710



Notes to the Financial Statements (Continued)

9. Earnings Per Share (Continued)

	Six months ended 30 June	
	2013	2012
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,172,556	8,172,519
Effect of dilutive potential ordinary shares		
Share options	2,642	2,614
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,175,198	8,175,133

Note: The earnings for the purpose of diluted earnings per share for the period ended have been adjusted to assume the conversion of convertible bonds of COGO during the period.

10. Investment Properties

	Completed investment properties	Investment properties under construction	Total
	HK\$'000	HK\$'000	HK\$'000
FAIR VALUE			
At 1 January 2013	16,058,746	7,598,581	23,657,327
Additions of construction costs	–	642,376	642,376
Gain arising from changes in fair value of investment properties	1,233,395	730,579	1,963,974
Exchange realignment	217,878	141,095	358,973
At 30 June 2013	17,510,019	9,112,631	26,622,650



Notes to the Financial Statements (Continued)

10. Investment Properties (Continued)

An analysis of the investment properties of the Group at 30 June 2013 is as follows:

	Total HK\$'000
Investment properties:	
In Hong Kong	
On long leases	729,400
On medium-term leases	3,346,900
In Macau	
On medium-term leases	170,000
In the PRC	
On medium-term leases	22,376,350
	26,622,650

The fair values of the investment properties, including both land and building elements held by the Group at 30 June 2013 and 31 December 2012 have been arrived on the basis of valuations 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 property development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from property development 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 2013 HK\$'000	31 December 2012 HK\$'000
Trade receivables, aged		
0–30 days	1,253,905	1,518,323
31–90 days	193,633	159,060
Over 90 days	250,592	316,577
	1,698,130	1,993,960
Other receivables	701,379	604,894
	2,399,509	2,598,854

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 2013 HK\$'000	31 December 2012 HK\$'000
Trade payables, aged		
0–30 days	8,464,059	4,853,870
31–90 days	1,415,463	929,074
Over 90 days	5,163,397	5,194,664
	15,042,919	10,977,608
Other payables	2,012,132	2,274,325
Retentions payable	4,143,833	3,664,696
	21,198,884	16,916,629

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 2013 and 30 June 2013	10,000,000	1,000,000
Issued and fully paid		
At 1 January 2013	8,172,519	817,252
Issue of shares upon exercise of share options	97	10
At 30 June 2013	8,172,616	817,262



Notes to the Financial Statements (Continued)

14. Acquisition of Subsidiaries

On 28 May 2013, China Overseas (Zhong Guo) Limited ("COZG"), an indirectly wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Harmony China Real Estate Fund, L.P. (the "Fund"), pursuant to which COZG agreed to purchase and the Fund agreed to sell relating to the sale and purchase of (i) the entire issued share capital of Popular Merit Limited ("Popular Merit") and related shareholder's loan, (ii) 30% of the entire issued share capital of Ring Tide Limited ("Ring Tide") and related shareholder's loan, and (iii) 65% of the entire issued share capital of Novel Wisdom Limited ("Novel Wisdom") and related shareholder's loan at a total cash consideration of approximately HK\$2,814,552,000 (equivalent to US\$362,700,000), including consideration for the shareholders' loans of approximately HK\$1,641,993,000 (equivalent to US\$211,597,000). Upon completion, Popular Merit, Ring Tide and Novel Wisdom became wholly-owned subsidiaries of the Company. The acquisition was completed in May 2013.

Popular Merit is an investment holding company which indirectly holds 30% interest in 中海鼎業（西安）房地產有限公司 ("Xi'an Project Company"), a company established in the PRC and is principally engaged in property development in Xi'an city, the PRC. Ring Tide is an investment holding company which indirectly holds 100% interest in 中海地產（青島）投資開發有限公司 ("Qingdao Project Company"), a company established in the PRC and is principally engaged in property development in Qingdao city, the PRC. Novel Wisdom is an investment holding company which indirectly holds 49% interest in 中海地產（瀋陽）有限公司 ("Shenyang Project Company"), a company established in the PRC and is principally engaged in property development in Shenyang city, the PRC.

Before the acquisition, the Group held 70% equity interest, 70% equity interest and 68.15% equity interest in Xi'an Project Company, Qingdao Project Company and Shenyang Project Company, respectively, which were accounted for as jointly controlled entities of the Group. Upon completion, Xi'an Project Company, Qingdao Project Company and Shenyang Project Company became 100% owned subsidiaries of the Group and controlled by the Group.



Notes to the Financial Statements (Continued)

14. Acquisition of Subsidiaries (Continued)

The Group re-measured its equity interest held in Xi'an Project Company, Qingdao Project Company and Shenyang Project Company immediately prior to the acquisition date at fair value amounting to approximately HK\$4,710,175,000. As a result, a fair value remeasurement of approximately HK\$1,458,176,000 was recognized in condensed consolidated income statement.

The acquisition-related costs have been expensed off and are included in administrative expenses in the condensed consolidated income statement.

The following table summarized the consideration for the acquisition as mentioned above, the fair value of aggregate assets acquired and liabilities assumed at the acquisition date.

	HK\$'000
Aggregate consideration transferred and fair value of previously held equity interest:	
Total consideration	2,814,552
Aggregate fair value of the previously held equity interests in Popular Merit, Ring Tide and Novel Wisdom immediately prior to acquisitions	4,710,175
	<hr/> 7,524,727 <hr/>



Notes to the Financial Statements (Continued)

14. Acquisition of Subsidiaries (Continued)

	Fair value on acquisition HK\$'000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	3,943
Stock of properties	10,867,032
Trade and other receivables	244,154
Deposits and prepayments	533,610
Bank balances and cash	1,991,618
Amounts due from related parties (Note)	2,413,440
Amounts due to shareholders (Note)	(1,688,349)
Trade and other payables	(789,484)
Other deposits	(208,634)
Pre-sale deposits	(4,956,210)
Tax liabilities	(94,787)
Deferred tax liabilities	(791,606)
Total identifiable net assets acquired	7,524,727
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,814,552)
Cash and cash equivalents acquired of	1,991,618
	(822,934)

Had the acquisition of Popular Merit, Ring Tide and Novel Wisdom been effected at 1 January 2013, the Group's revenue for the period would have been approximately HK\$32,188,000,000, and profit for the period would have been approximately HK\$11,047,000,000.

Note: The amounts due from related parties and due to shareholders represent the Group's amounts due to jointly controlled entities and shareholder loans in connection with the Group's previously held equity interest in Ring Tide and Novel Wisdom immediately prior to acquisitions respectively.



Notes to the Financial Statements (Continued)

15. Contingent Liabilities

At 30 June 2013, the Group provided guarantees amounted to approximately HK\$13,933 million (31 December 2012: HK\$11,058 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

At 30 June 2013, the Group also provide guarantees amounted to approximately HK\$1,425 million (31 December 2012: HK\$1,307 million) for the loan facilities granted by the banks to jointly controlled entities, of which HK\$1,425 million has been utilised by the jointly controlled entities (31 December 2012: HK\$1,093 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.

16. Pledge of Assets

At 30 June 2013, the Group has bank deposit of HK\$58,817,000 (31 December 2012: HK\$51,436,000) pledged to secure the mortgage loans granted by banks to the home buyers.

17. Capital Commitments

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Capital expenditure in respect of investment properties:		
Authorised but not contracted for	13,550,993	15,024,262
Contracted but not provided for	1,106,070	303,144
	14,657,063	15,327,406

At 30 June 2013, the Group has committed to contribute US\$40 million (31 December 2012: US\$40 million) in a jointly controlled entity of the Group.



Notes to the Financial Statements (Continued)

18. Related Party Transactions

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

Nature of transactions	Notes	Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Fellow subsidiaries			
Property development project construction fees	(a)	128,109	133,673
Rental income	(b)	7,412	5,208
Insurance fee	(c)	755	1,795
Security service income	(c)	10,581	11,887
Building design consultancy income	(c)	11,523	–
Associates			
Royalty income	(e)	80,142	51,427
Rental expense	(b)	7,767	7,674
Property management income	(f)	187	2,142
Jointly controlled entities			
Interest income	(d)	22,713	23,809
Property development project construction income	(a)	106,424	472,599



Notes to the Financial Statements (Continued)

18. Related Party Transactions (Continued)

(a) (Continued)

Notes:

- (a) *Property development project construction fee/income were charged by in accordance with respective contracts.*
- (b) *Rental income and expenses are charged in accordance with respective tenancy agreements.*
- (c) *Insurance fee, security income and building design consultancy income are charged in accordance with respective contracts.*
- (d) *Interest income is charged at interest rates as specified in respective contracts.*
- (e) *Royalty income is charged as specified in the contract.*
- (f) *Property management income is charged at rates in accordance with respective contracts.*

(b) The 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	
	2013	2012
	HK\$'000	HK\$'000
Short-term benefits	41,425	16,646
Mandatory Provident Fund contribution	30	25
	41,455	16,671

Interim Dividend

The Board declared the payment of an interim dividend for the six months ended 30 June 2013 of HK18 cents per share (2012: HK15 cents per share) to shareholders whose names appear on the register of members of the Company on Wednesday, 28 August 2013. The interim dividend will be payable on Monday, 9 September 2013.

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 28 August 2013, during which time no transfer of shares will be registered.

In order to qualify for the interim dividend, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates should be lodged with the Company's registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 27 August 2013.

Share Capital

The Company's total issued share capital as at 30 June 2013 was 8,172,616,172 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 2013 (“**the Period**”):

Name	Date of Grant	Outstanding at 01.01.2013	Number of underlying shares comprised in options			Outstanding at 30.06.2013
			Adjustment/ Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	
Directors						
Mr. Kong Qingping	18.06.2004 (vi)	1,359,334	-	-	-	1,359,334
	Sub-Total	1,359,334	-	-	-	1,359,334
Aggregate of other employees*	24.10.2001 (v) 18.06.2004 (vi)	- 1,456,429	- -	- (97,095)	- -	- 1,359,334
	Sub-Total	1,456,429	-	(97,095)	-	1,359,334
	Grand Total	2,815,763	-	(97,095)	-	2,718,668

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

- (2) At 30 June 2013, the options granted to subscribe for 2,718,668 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 2013.

As at the date of this interim report, 2,718,668 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 2013 options to subscribe for a total of 97,095 Shares of the Company were exercised on 23 April 2013 and the weighted average closing price immediately before the exercise was HK\$22.73.

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 [#])	

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

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

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

Others (Continued)

Directors' and Chief Executive's Interests in Securities

At 30 June 2013, 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		% of shares in issue
		Options	Total	
Mr. Kong Qingping	3,935,760	1,359,334	5,295,094	0.065%
Mr. Hao Jian Min	3,353,172	–	3,353,172	0.041%
Mr. Xiao Xiao	1,022,064	–	1,022,064	0.013%
Mr. Guo Yong	200,000	–	200,000	0.002%
Mr. Kan Hongbo	696,800	–	696,800	0.009%
Mr. Li Man Bun, Brian David	5,460,000	–	5,460,000	0.067%

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)*

Name of director	Number of shares held	Total	% of shares in issue (Notes 5 and 6)
<i>— China State Construction Engineering Corporation Limited</i>			
Mr. Zheng Xuexuan	360,000	360,000	0.001%
<i>— China Overseas Grand Oceans Group Limited</i>			
Mr. Luo Liang	105,000	105,000	0.005%

Notes:

- 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.
- The percentage has been adjusted, where applicable, based on the total number of shares of the Company in issue as at 30 June 2013 (i.e. 8,172,616,172 shares).
- 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).



Others (Continued)

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

4. *The percentage has been adjusted, where applicable, based on the total number of shares of China State Construction International Holdings Limited in issue as at 30 June 2013 (i.e. 3,888,744,651 shares).*
5. *The percentage has been adjusted, where applicable, based on the total number of shares of China State Construction Engineering Corporation Limited in issue as at 30 June 2013 (i.e. 30,000,000,000 shares).*
6. *The percentage has been adjusted, where applicable, based on the total number of shares of China Overseas Grand Oceans Group Limited in issue as at 30 June 2013 (i.e. 2,282,239,894 shares).*

Besides, Messrs. Kong Qingping, Xiao Xiao, Luo Liang and Li Man Bun, Brian David held respectively 3,060,400; 1,879,278; 3,531,469 and 4,101,080 shares in China State Construction International Holdings Limited ("CSCIHL"), associated corporation of the Company. Messrs. Kong Qingping, Hao Jian Min and Xiao Xiao also held respectively 3,288,848; 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, Luo Liang and Li Man Bun, Brian David respectively are 6,349,248; 959,247; 2,838,525; 3,531,469 and 4,101,080, representing 0.163%, 0.025%, 0.073%, 0.091% and 0.105% 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 2013, any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Substantial Shareholders' Interests in Securities

At 30 June 2013, 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)	(Lending Pool)	
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.	86,546,585	51,786,840	281,768,348	6.88%	0.63%	3.45%	Beneficial owner Investment manager Custodian corporation/ approved lending agent
	194,189,624	-	-				
	281,768,348	-	-				

Notes:

- The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2013 (i.e. 8,172,616,172 shares).
- Silver Lot is a direct wholly owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.
- COHL is a direct wholly owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in 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 2013.



Others (Continued)

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 2013.

Corporate Governance

During the six months ended 30 June 2013, the Company has complied with all the provisions (except A.4.1, A.4.2 and A.6.7 as stated below) of the Corporate Governance Code ("**Code Provision**") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with most of the recommended best practices contained therein.

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

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

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

- (a) any director appointed to fill a casual vacancy shall hold office only until the next following Annual General Meeting ("**AGM**") of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting; and
- (b) at each AGM, one-third of the directors for the time being or, if number of directors is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as Executive Chairman or as Managing Director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.



Corporate Governance (Continued)

However, through the operation of the internal mechanism adopted by the Company below, the terms of appointment 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 most of the independent non-executive directors) were present in the general meeting for exchanging views with the shareholders.

Messrs. Kong Qingping, Luo Liang, Guo Yong and Wong Ying Ho, Kennedy due to commitment in the mainland China, were unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 30 May 2013. Thus, the Company has not complied with the whole Code Provision A.6.7.



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 2012 Annual Report up to 5 August 2013 (the date of this Interim Report) are set out as below:

- Mr. Li Man Bun, Brian David was appointed as Chairman of the Traffic Accident Victims Assistance Advisory Committee of the Government of the Hong Kong Special Administrative Region ("HKSAR"), a Member of the HKSAR Harbourfront Commission and a Member of the Hong Kong-European Union Business Cooperation Committee and ceased to be a Member of the HKSAR Financial Reporting Review Panel.
- Due to the increase of monthly salary of Messrs. Luo Liang, Guo Yong and Kan Hongbo effective from 1 May 2013, the 2013 fixed annual remuneration of Messrs. Luo Liang, Guo Yong and Kan Hongbo will be changed to RMB1,152,800, RMB821,200 and RMB801,600 respectively.

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

During the six months ended 30 June 2013, 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 2013, 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

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