



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

精耕細作 品牌經營

Interim Report 2014 中期報告

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Corporate Structure

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



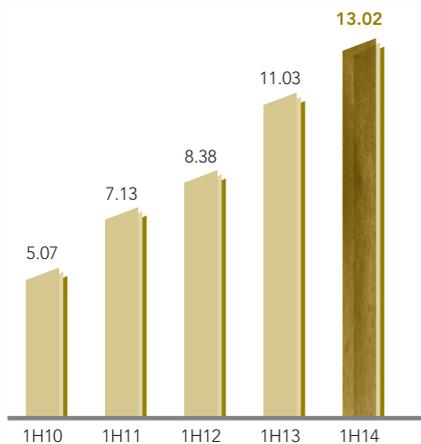
* Property development in 45 major cities in mainland China, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Shenyang, Chongqing, Changchun, Changsha, Chengdu, Dalian, Foshan, Fuzhou, Harbin, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Suzhou, Qingdao, Taiyuan, Tianjin, Wuhan, Wuxi, Xi'an, Xiamen, Yantai, Zhengzhou, Zhongshan, Zhuhai, Changzhou#, Guilin#, Ganzhou#, Jilin#, Hefei#, Hohhot#, Lanzhou#, Nanning#, Nantong#, Shantou#, Shaoxing#, 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.

Financial Highlights

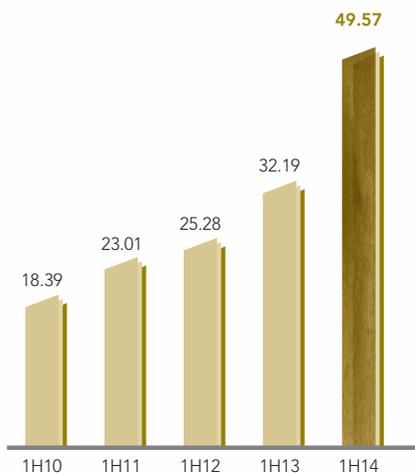
Change in Profits Attributable to Equity Shareholders

HK\$ billion



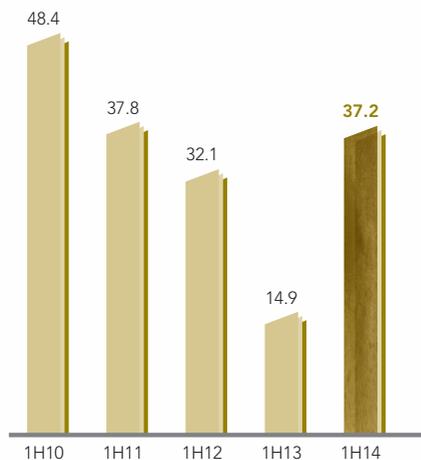
Change in Turnover

HK\$ billion



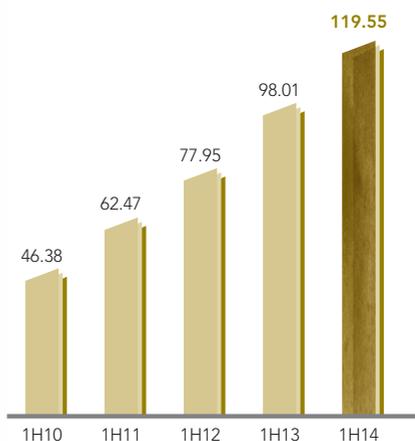
Change in Net Gearing Ratio

%



Change in Shareholders' Fund

HK\$ billion



Board of Directors and Committees

Chairman

Hao Jian Min *Chairman and
Chief Executive Officer*

Executive Directors

Xiao Xiao *Vice Chairman*
Chen Yi
Luo Liang
Nip Yun Wing
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

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

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*

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 and Transfer Office

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

Investor Relations

Corporate Communications Department
Telephone : (852) 2823 7888
Facsimile : (852) 2529 9211
E-mail : coli.ir@cohl.com

Public Relations

Corporate Communications Department
Telephone : (852) 2823 7888
Facsimile : (852) 2529 9211
E-mail : coli.pr@cohl.com

Legal Advisor

Mayer Brown JSM

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Bankers (In alphabetical order)

Agricultural Bank of China Limited
Agricultural Bank of China Limited
Hong Kong Branch
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 Construction Bank (Asia)
Corporation Limited
China Merchants Bank Hong Kong Branch
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 and Financial Calendar

Share Listing

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

Stock Code

Shares

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

Guaranteed Notes

	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 5	: China OVS N1810 Code: 5987	: EJ9002563	: XS0984184316
Note 6	: China OVS N2310 Code: 5988	: EJ9002621	: XS0972980097
Note 7	: China OVS N4310 Code: 5989	: EJ9002803	: XS0985567881
Note 8	: China OVS N1905 Code: 5745	: EK2478924	: XS1063561143
Note 9	: China OVS N2405 Code: 5746	: EK2478981	: XS1063561499
Note 10	: China OVS N3406 Code: 5760	: EK3172450	: XS1075180379

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.

Note 5: US\$500,000,000 3.375 per cent. Guaranteed Notes due October 2018 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.

Note 6: US\$500,000,000 5.375 per cent. Guaranteed Notes due October 2023 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.

Note 7: US\$500,000,000 6.375 per cent. Guaranteed Notes due October 2043 issued by China Overseas Finance (Cayman) III Limited, a wholly owned subsidiary of the Company.

Note 8: U.S.\$800,000,000 4.25 per cent. Guaranteed Notes due May 2019 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 9: U.S.\$700,000,000 5.95 per cent. Guaranteed Notes due May 2024 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Note 10: U.S.\$500,000,000 6.45 per cent. Guaranteed Notes due June 2034 issued by China Overseas Finance (Cayman) VI Limited, a wholly owned subsidiary of the Company.

Financial Calendar

Interim results announcement	:	1 August 2014
Share register closed	:	29 August 2014
Interim dividend payable	:	11 September 2014

Chairman's Statement

Business Review

The world economy remained complicated and fast changing in the first half of 2014. Amid sluggish economic recovery, inflation and unemployment in the United States continued to improve. The Federal Reserve's plan for reducing its monthly asset purchases sustained during the period. There were clear signs of capital outflow from the emerging markets, thus increasing the economic downside risk. The future of economic development in both the Euro zone and Japan was still not clear even with more quantitative easing measures.

During the first half of the year, the Central Government was determined to pursue economic reforms and structural adjustments amid unsatisfactory economic environment abroad. The foreign trade in China continued to increase but at a slower rate while capital investment and domestic consumption remained weak. Mild economic development at the beginning of the year led to the launch of growth stabilizing policies. The GDP growth in China was 7.4% for the first half of the year, which was slightly lower than the target of 7.5% for the whole year.

Due to the slowing economy in China and that reforms in the financial sector have led to tightened liquidity and credit, drop in both the home price and transaction volume was generally seen. There was cool down in the sentiment of the land market as well.

Economic development in Hong Kong and Macau was stable. The property market transactions have become active after some mini amendments to the tightening measures.

During the period, the Group as usual reacted calmly and positively to market changes and continued to take steps to enhance actively its overall management capability. Backing on its well established trusted brand name and shrewd judgment on the market changes, the Group together with its joint ventures and associates succeeded in securing property contracted sales amounting to HK\$73.04 billion for the first half of the year while the corresponding sales area was 4.42 million sq m. Sales of properties in mainland China amounted to HK\$68.66 billion while the corresponding sales area was 4.40 million sq m. Sales of properties in Hong Kong and Macau were satisfactory and the sales amount was HK\$4.38 billion.

Chairman's Statement (Continued)

Business Review (Continued)

The business performance of the Group for the first half of year 2014 was satisfactory. The profit attributable to equity shareholders of the Company increased by 18.0% to HK\$13.02 billion, of which HK\$2.23 billion of was related to the net gain after tax arising from changes in the fair value of the investment property portfolio. Hence, the core profit of the Group increased by 33.7% to HK\$10.79 billion.

The turnover of the Group (not including those of the joint ventures and the associates) was HK\$49.57 billion (taking into account the turnover of the joint ventures attributable to the Group, the total amount increased to HK\$52.81 billion), representing an increase of 54.0% as compared to the corresponding period last year. The turnover of the Group's property development business in mainland China was HK\$47.94 billion, accounting for 96.7% of the total turnover. The operating profit of the Group was HK\$18.80 billion, an increase of 42.7% as compared to the corresponding period of last year. The operating profit of the property development business in mainland China was HK\$15.22 billion, making up 81.0% of operating profit.

At end of June 2014, the Group's interest in joint ventures plus amounts due from and deduct amounts due to joint ventures reduced further to HK\$11.69 billion. The contribution from investments in joint ventures reduced accordingly to HK\$550 million for the first half of the year. China Overseas Grand Oceans Group Limited ("COGO") is an associate of the Group and contributed profit of HK\$410 million to the Group.

During the period, projects (including those by the joint ventures) with gross floor area ("GFA") of 4.95 million sq m were completed in China. The Group's value of sales recognized as turnover in the first half of 2014 was HK\$38.53 billion. The Group's sales of properties completed before the end of 2013 was satisfactory, with 370,000 sq m sold for HK\$9.51 billion.

The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the period was HK\$520 million, representing an increase of 31.4% as compared to the corresponding period of last year.

Chairman's Statement (Continued)

Business Review (Continued)

The Group adheres to the principle of prudent financial management and endeavours to strike a balance between the cash inflow and outflow. During the period, the total capital expenditure payments for the Group were HK\$44.25 billion, of which HK\$23.97 billion was spent on land premium. About HK\$13 billion was paid on taxes, operation and marketing and on financial expenses. Due further to tightened liquidity, the mainland Chinese banks approved and released housing mortgage loans at a much slower rate than before. Sales collection was reduced to HK\$40.51 billion (a decrease of 6.9% as compared to the same period last year) rendering the Group's consolidated net gearing ratio increased from 28.4% at the end of 2013 to 37.2% at end of June 2014. Also, backing on the leading status of the Group in the property industry and high creditworthiness and amid a tight liquidity environment globally, the Company still succeeded in raising US\$2 billion through issue of bonds in May and June. Significant financial resources were secured to support the business development of the Group. Also, the Company entered into loan agreements with three banks and raised a total of RMB3.85 billion at terms better than onshore. As at end of June, the financial position of the Group was in a satisfactory condition; the equity attributable to the shareholders of the Company increased to HK\$119.55 billion; the Group had bank loans and guaranteed notes payable amounted respectively to HK\$46.17 billion and HK\$48.16 billion; and bank balances and cash amounted to HK\$49.82 billion.

Prospect

It is expected that the global economy will gradually be strengthened going into the second half of the year. The economic recovery and unemployment problems in the United States will gradually improve while the possible interest rate hike next year and geopolitical problems in the Middle East, Europe and Asia will from time to time cause turbulence to the global financial markets. Even with the implementation of more quantitative easing measures in Europe and Japan, economic recovery 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. Targeted growth stabilizing policies and stimulus measures will improve the liquidity in the financial sector and bring momentum to the economic growth. The annual target of about 7.5% GDP growth can thus be achieved.

Chairman's Statement (Continued)

Prospect (Continued)

Satisfactory sales performance of the Group under such tough market environment in the first half of the year confirms that the strategies of nationwide strategic development and developing high quality residential projects in the core areas of major mainland cities are 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 so as to ensure overall satisfactory growth in both the operation scale and profit as well as to enhance return on the shareholders' funds.

It is expected that in the short term the tightening measures will not be widely relaxed and the property market in China is confronted with relatively huge challenges. Under a market environment with tight liquidity onshore and offshore, 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. Such trends present more opportunities than challenges to the Group.

The property market in Hong Kong and Macau has started to rebound after consolidating at a high level. The rigid demand is strong and the prospects are promising. The Group will hence stick to the strategy of participating in the market in a moderate manner.

Backing on its team of quality professionals, shrewd market judgment, nationwide strategic development, Excellent Quality (精品) brand recognition, abundant financial resources coming from smooth funding channels in both domestic and overseas financial markets, corporate governance of international standard, and effective risk control policies and measures, the Group will maintain its status as a sizable and strong nationwide real estate developer of international influence.

In the first half of the year, the Group acquired ten land parcels in nine mainland cities, adding total GFA of 6.85 million sq m to the land reserve. As at end June, the total land bank of the Group was 41.55 million sq m (attributable interest of 39.12 million sq m) and the total land bank of COGO was 13.06 million sq m (attributable interest of 11.91 million sq m). In the second half of the year, the Group will continue to 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.

Chairman's Statement (Continued)

Prospect (Continued)

The Company announced on 5 August 2013 the intention of the controlling shareholder, China State Construction Engineering Corporation Limited ("CSCECL"), to inject certain China property businesses into the Group. The Company also announced on 28 January 2014 the transitional arrangement for the operation and management of all the businesses intended to be injected entrusted to the Company. The Group will continue to negotiate actively with CSCECL on the implementation of the asset injection and will inform shareholders of the Company timely of any major development. Please refer to the two relevant announcements for more details on the asset injection and entrustment.

The Group will stick to its prudent financial management and control well its gearing level and to hold a relatively high level of financial resources. Following the improvement in the liquidity of the mainland Chinese banks and hence the normalization of cash collection, the financial conditions of the Group will be further enhanced.

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.

Chairman's Statement (Continued)

Appreciation

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

By Order of the Board

China Overseas Land & Investment Limited

Hao Jian Min

Chairman and Chief Executive Officer

Hong Kong, 1 August 2014

Management Discussion & Analysis

Overall Performance

During the six months ended 30 June 2014, the turnover of the Group was HK\$49.57 billion (the corresponding period in 2013: HK\$32.19 billion), representing an increase of 54.0%. The operating profit was HK\$18.80 billion (the corresponding period in 2013: HK\$13.17 billion), representing an increase of 42.7%. Profit attributable to equity shareholders of the Company amounted to HK\$13.02 billion (the corresponding period in 2013: HK\$11.03 billion), representing an increase of 18.0%. Basic earnings per share was HK\$1.59 (the corresponding period in 2013: HK\$1.35), an increase of 18.0%, while diluted earnings per share was HK\$1.59 (the corresponding period in 2013: HK\$1.34).

As at 30 June 2014, the equity attributable to equity shareholders of the Company was HK\$119.55 billion (31 December 2013: HK\$109.97 billion), an increase of 8.7% as compared to the end of the previous year, while the book value of net asset per share was HK\$14.6 (31 December 2013: HK\$13.5), an increase of 8.7% as compared to the end of the previous year.

Property Sales

Turnover of property sales, including the attributable portion of the joint ventures, increased by 40.8% to HK\$51.27 billion. Turnover from property sales mainly related to property projects such as International Community in Jinan, No. 1 Lake Lantern and Glorious City in Foshan, La Cite and COLI City in Shenyang, Blossom Cove and Glory City in Guangzhou, Residence 9 in Beijing, Lohas Island and No. Eight Mansion in Suzhou and some joint ventures' projects such as The Glorious in Wuhan and The Throne in Chongqing.

Profit from property sales (including the Group's share of profits of associates and joint ventures) amounted to HK\$16.22 billion, an increase of 35.9% comparing with the corresponding period of last year.

Property Rental

Turnover from property rental of the Group amounted to HK\$520 million, an increase of 31.4% comparing with the corresponding period of last year. The rise in rental income was mainly due to higher market rent and higher occupancy rate. Segment results amounted to HK\$3.40 billion which include the gain arising from changes in fair value of investment properties amounting to HK\$2.96 billion (net income after deferred tax was HK\$2.23 billion). Operating profit was HK\$440 million, an increase of 31.9% comparing with the corresponding period of last year.

Management Discussion & Analysis (Continued)

Other Operations

Turnover from other operations amounted to HK\$1.02 billion (the corresponding period in 2013: HK\$1.55 billion), mainly derived from property management and Hua Yi design businesses. Turnover from property management amounted to HK\$840 million (the corresponding period in 2013: HK\$780 million), an increase of 7.7% comparing with the corresponding period of last year. Turnover from Hua Yi design business amounted to HK\$120 million (more or less the same as the corresponding period in 2013: HK\$120 million).

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. Confronted with the strict tightening measures and amid tight liquidity, property developers with increasing inventory and deteriorating financial position were forced to cut prices to boost sales. All these led to market adjustment in some regions and fall in the property price and transaction volume was generally seen. Economic development in Hong Kong and Macau was relatively stable. The property market has become active after some fine tunes to the tightening measures.

As the leader in the mainland property sector, China Overseas Property (中海地產) has been pursuing sustainable and balanced development while putting emphasis on cash flow management. With annual sales targeting over HK\$100 billion, the Group will strive to ensure that the sales in each month should still be relatively stable even under tough market condition. Contracted sales (including those of the joint ventures and the associates) of HK\$73.04 billion was recorded in the first half of 2014, a decrease of 8.8% as comparing to the corresponding period of last year. The average monthly sales for the first half of the year was HK\$12.2 billion and even in the traditional low season like February sales of HK\$9.1 billion was made. The market sentiment was much better in the first half of last year resulting in a record high base of comparison for sales. The sales result under such tough market condition in the first half of the year was considered satisfactory and indeed encouraging.

Management Discussion & Analysis (Continued)

Property Development (Continued)

During the first half of the year, there was no more exceptional income like the sum of HK\$1.46 billion recorded in the same period of last year and the decrease in contribution from joint ventures was more or less offsetted by the net increase in the changes of the fair value of the investment properties. The Group's net profit still increased by 17.6% and such performance was considered good. This was mainly attributable to the marked increase of 62.0% in the turnover of the China property development business, accounting for 96.7% of the turnover, 81.0% of the operating profit, and with the gross profit margin staying high at a satisfactory level.

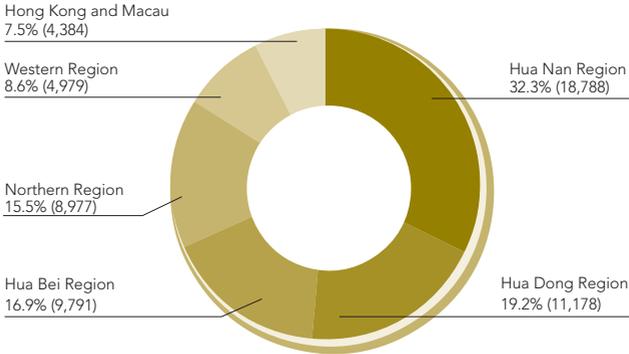
With stronger financial capability, the Group has in the past few years reduced its investment in joint ventures. At the end of June 2014, the Group's interest in joint ventures plus amounts due from and deduct amounts due to joint ventures amounted to HK\$11.69 billion. All the joint ventures are financially sound. As at end of June 2014, there were bank and cash balances of HK\$8.73 billion in aggregate against aggregate bank borrowings of only HK\$3.34 billion for these joint ventures. In the first half of the year, sales from joint ventures reached HK\$6.72 billion and the turnover was HK\$6.30 billion (mainly from The Glorious in Wuhan and The Throne in Chongqing), and the Group recorded a net profit contribution from joint ventures of HK\$550 million. Furthermore, COGO as the major associate of the Group, contributed profit of HK\$410 million to the Group (more or less the same as the corresponding period of last year) even though its operation in 3-tier cities was affected more by the economic slowdown.

Management Discussion & Analysis (Continued)

Property Development (Continued)

1H 2014 THE GROUP'S CONTRACTED SALES AMOUNT BY REGION

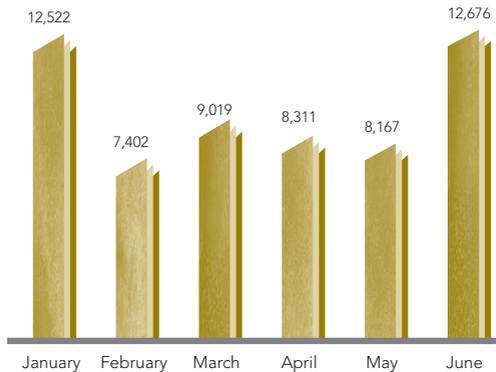
HK\$ million



- **Hua Nan Region:** Shenzhen, Foshan, Zhongshan, Guangzhou, Changsha, Xiamen, Fuzhou, Zhuhai
- **Hua Dong Region:** Suzhou, Nanjing, Ningbo, Hangzhou, Nanchang, Shanghai, Wuxi
- **Hua Bei Region:** Beijing, Tianjin, Jinan, Wuhan, Zhengzhou, Taiyuan
- **Northern Region:** Changchun, Qingdao, Dalian, Shenyang, Yantai, Harbin
- **Western Region:** Chengdu, Xi'an, Chongqing, Kunming

1H 2014 THE GROUP'S CONTRACTED SALES AMOUNT BY MONTH

HK\$ million



Management Discussion & Analysis (Continued)

Property Development (Continued)

28 projects (including those by the joint ventures) with aggregate GFA of 4.95 million sq m were completed in 18 cities in mainland China during the period.

The major projects completed for occupation were:

City	Name of Project	GFA ('000 sq m)
Foshan	No. 1 Lake Lantern	542
Foshan	Glorious City	229
Shenyang	La Cite	432
Shenyang	International Community	152
Shenyang	COLI City	292
Suzhou	Lohas Island	205
Suzhou	International Community	74
Suzhou	No. Eight Mansion	96
Shenzhen	Fairview Park	318
Guangzhou	Glory City	126
Guangzhou	Blossom Cove	60
Changchun	Golden Violet	137
Yantai	Silver Coast	120
Dalian	Violet Palace	101
Nanchang	Sunrise Manor	139
Jinan	International Community	600
Chongqing	The Throne [#]	208
Wuhan	The Glorious [#]	150
		3,981

[#] Joint venture projects on 100% basis

The Group's sales of properties completed before the end of 2013 were satisfactory with 370,000 sq m sold for HK\$9.51 billion. Due to the fact that there were many projects completed for occupation in the first half of the year, properties completed and held for sale at end June increased to 1.70 million sq m. The Group will increase its effort on clearing the inventory in the second half of the year.

Management Discussion & Analysis (Continued)

Property Development (Continued)

To ensure sustainable rapid growth, the Group continues to expand sources in getting high quality land reserve through various means and ways. In the first half of the year, the Group incurred HK\$30.97 billion and acquired ten land parcels in Dalian, Jinan, Foshan, Qingdao, Zhengzhou, Guangzhou, Harbin, Taiyuan and Tianjin, adding GFA of 6.85 million sq m to its land reserve. The Group takes into account the market change, sales result and financial resources on hand while capturing opportunities to expand its land bank at low cost. Hence, the Group slowed down its pace in land replenishment in the second quarter and only acquired one prime land parcel in the core area of Tianjin. Given that the Group has completed over two-third of its annual land replenishment target, the Group will stick to its prudent pace of land acquisition in the second half of 2014 unless there is major solid improvement in the mainland market condition in the short term.

The land parcels added in the first half of year 2014 were:

City	Name of Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
Land acquisitions by the Group				
Dalian	Ganjingzi District Project	100%	96	184
Jinan	Licheng District Huashan Project	100%	600	1,782
Foshan	Nanhai District Guicheng Project	100%	66	276
Qingdao	Jimo City Tianheng Town Project	100%	872	1,107
Zhengzhou	Jinshui District Project	100%	66	272
Guangzhou	Liwan District Project	100%	140	1,060
Harbin	Qunli New District Project	100%	183	603
Taiyuan	Wanbailin District #1 Project	95%	44	676
Taiyuan	Wanbailin District #2 Project	50%	59	433
Tianjin	Hexi District Project	100%	78	453
Sub-total for the Group			2,204	6,846
Land acquisitions by COGO			703	2,703
Total			2,907	9,549

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. Liquidity for the property sector is likely to improve with more targeted mini-stimulus measures launched under the growth stabilizing policies. Hence, transaction volume and price for the property market will be improved. However, operation environment for medium to small property developers is expected to be tougher and 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. The Group will adhere strictly to prudent financial management and the strategy of sustainable development. Maintaining a reasonable level of high value land bank, faster development, more effective sales and cash collection, and strict risk control will help ensure the stable growth in the profit and the satisfactory return on the shareholders' funds.

Barring any significant unforeseen and unfavorable circumstances, the Group is confident about its result performance for the whole year.

Liquidity, Financial Resources and Debt Structure

The Group will continue 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.

In order to provide more support to the funding requirements of the Group's business, the Group issued US\$2 billion bonds during the first half of the year. Also, a total of RMB3.85 billion was arranged with three banks in Hong Kong. These RMB borrowings are with tenor of three years and at fixed rate. Due to tight liquidity in the financial sector in China and the fact that mortgage interest rates are relatively low, now it takes a much longer time for getting the approval for mortgages as well as for money release. This has affected cash collection for the first half of the year. Due further 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 increased to 37.2% from 28.4% as at the end of last year.

Management Discussion & Analysis (Continued)

Liquidity, Financial Resources and Debt Structure (Continued)

The overall financial position of the Group was satisfactory. Interest cover (measured by the ratio of operating profit less interest income to the total interest expenses) increased from 11.6 times at the end of June 2013 to 11.9 times, still at a satisfactory level. The weighted average borrowing costs of the Group was increased to 4.0% (total finance costs divided by the weighted average borrowings), but could still be at the lowest level for the industry. Mainly due to the combined effect of increased borrowings and increased bond issues, the total finance costs increased to HK\$1.56 billion and by 40.3% as compared to the corresponding period of the last year. At end June 2014, there was unpaid land premium of HK\$19.4 billion while bank borrowings due to mature in the second half of the year amounted to HK\$1.42 billion. Taking into account that cash collection will be improved in the second half of the year, the Group's financial position at year end should improve further. Any financing arrangement intended to be carried out in the second half of the year will mainly be for the refinancing of the HK\$ bank borrowings which are due to mature in the first half of 2015 and amounting to HK\$16.82 billion.

As at 30 June 2014, consolidated bank borrowings and guaranteed notes of the Group amounted to HK\$46.17 billion (31 December 2013: HK\$40.01 billion) and HK\$48.16 billion (31 December 2013: HK\$32.69 billion) respectively, of which 31.5% was denominated in Hong Kong dollars, 51.6% was denominated in U.S. dollars and 16.9% was denominated in Renminbi.

As at 30 June 2014, the Group had bank balances and cash amounting to HK\$49.82 billion (of which 3.4% was denominated in Hong Kong dollars, 31.8% was denominated in U.S. dollars, 64.8% was denominated in Renminbi and minimal amounts were denominated in other currencies) and unutilized banking facilities amounting to HK\$8.81 billion.

Except for the offshore RMB loan amount to 3.85 billion, all the bank borrowings (either in Hong Kong dollars, U.S. dollars or Renminbi) of the Group are at floating rates while all the bonds are in US\$ and at fixed interest 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.

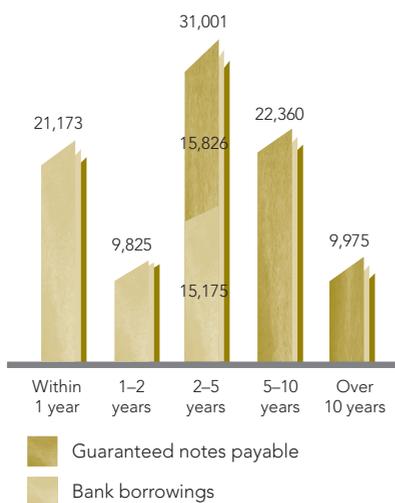
Management Discussion & Analysis (Continued)

Liquidity, Financial Resources and Debt Structure (Continued)

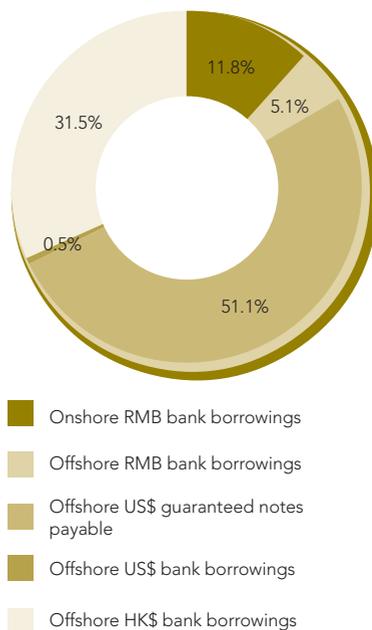
It is expected that more investment and acquisition opportunities will be available as the consolidation of the China property industry accelerate. The Group will continue to take full advantage of its competitive edge in having various fundraising platforms in and outside China. Under the prudent financial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

DEBT MATURITY PROFILE AT 30 JUNE 2014

HK\$ million



INTEREST BEARING DEBTS BY CURRENCY AT 30 JUNE 2014



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, environmental protection, improvement of life quality, customer service and staff development, the Group succeeds in promoting a harmonious and balanced community.

The Group continues to promote its charitable commitment along with its well-established brand of “海無涯·愛無疆” (“The sea has no limit and love has no boundary”) and put in place medium to long term planning to meet its corporate social responsibility, including an ongoing campaign of sponsoring and soliciting donations for the construction of China Overseas Hope Schools. As of now, the Group has built eight Hope Schools in Hanzhong of Shaanxi, Nanchuan and Yunyang of Chongqing, Changchun of Jilin, Dujiangyan of Sichuan, Shenyang of Liaoning, Jinan of Shandong and Quzhou of Zhejiang, respectively; while another Hope school is under construction in Huaihua of Hunan.

As a leading property developer in China, while developing quality residences, the Group has placed great emphasis on environmental protection and energy conservation, affirmed its value to sustainable ecological concepts, implementing low-carbon buildings and to cultivate a quality and green society.

Management Discussion & Analysis (Continued)

Human Resources

The Group has always viewed human resources as the most valuable assets in an organization. It continues to strengthen its recruitment system and its management of core talents. This enables the Group to enhance human resources management constantly. Through continued innovation of the human resources management team, the Group leads in the industry in terms of combined efficiency and management control. This facilitates the Group in safeguarding and pursuing its own strategic goals effectively.

As at the end of June, the Group has a total of 23,159 staff. The Group persists in recruiting strategy of the “Sons of the Sea” and “Sea’s Recruits” schemes to expand the recruitment network and to secure abundant supply of high-calibre staff to support the Group’s rapid business development. During the period, the Company continued to implement the “Sons of the Sea” scheme, cooperated with 23 renowned universities across China including Tsinghua University, Southeast University and Chongqing University to establish the “Career Development Camp”. The aim of the Camp is to help high calibre students to boost their competitiveness in career progression before graduation. This strengthens the collaboration mechanism between educational institutes and corporations in training and developing talents for the future.

Condensed Consolidated Income Statement

The unaudited consolidated results of the Group for the six months ended 30 June 2014 and the comparative figures for the corresponding period in 2013 are as follows:

	Notes	Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Turnover	4	49,574,968	32,188,481
Cost of sales		(32,056,325)	(19,149,262)
Direct operating expenses		(858,482)	(1,362,399)
		16,660,161	11,676,820
Other income and gains, net		583,309	735,940
Gain arising from changes in fair value of investment properties		2,956,061	1,963,974
Selling and distribution costs		(479,567)	(449,536)
Administrative expenses		(916,154)	(753,732)
Operating profit		18,803,810	13,173,466
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions		-	1,458,176
Share of profits of			
Associates		420,252	412,357
Joint ventures		554,809	1,216,310
Finance costs	5	(184,951)	(151,258)
Profit before tax		19,593,920	16,109,051
Income tax expenses	6	(6,537,612)	(5,008,753)
Profit for the period	7	13,056,308	11,100,298
Profit for the period attributable to:			
Owners of the Company		13,022,065	11,032,502
Non-controlling interests		34,243	67,796
		13,056,308	11,100,298
		HK\$	HK\$
EARNINGS PER SHARE	8		
Basic		1.59	1.35
Diluted		1.59	1.34
		HK\$'000	HK\$'000
DIVIDENDS	9		
Interim dividend at HK20 cents per share (2013: HK18 cents per share)		1,634,795	1,471,071
Group turnover		49,574,968	32,188,481
Share of turnover of joint ventures		3,235,209	6,172,656
		52,810,177	38,361,137

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	13,056,308	11,100,298
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of the Company and its subsidiaries	(849,703)	1,387,291
Exchange differences on translation of joint ventures	(143,194)	236,411
	(992,897)	1,623,702
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of associates	(84,061)	90,976
Other comprehensive income for the period	(1,076,958)	1,714,678
Total comprehensive income for the period	11,979,350	12,814,976
Total comprehensive income attributable to:		
Owners of the Company	11,949,509	12,731,610
Non-controlling interests	29,841	83,366
	11,979,350	12,814,976

Condensed Consolidated Statement of Financial Position

		30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current Assets			
Investment properties	10	38,443,589	32,531,661
Property, plant and equipment		1,335,090	1,371,196
Prepaid lease payments for land		150,613	156,373
Interests in associates		4,780,281	4,496,092
Interests in joint ventures		11,749,548	11,434,403
Investments in syndicated property project companies		18,907	18,907
Amounts due from joint ventures		2,848,152	2,843,910
Pledged bank deposits	16	72,142	68,179
Goodwill		109,021	109,021
Deferred tax assets		2,301,908	2,277,091
		61,809,251	55,306,833
Current Assets			
Inventories		58,712	28,906
Stock of properties		173,534,328	160,952,085
Land development expenditure		4,331,319	3,409,653
Prepaid lease payments for land		8,110	7,978
Trade and other receivables	11	4,535,169	2,430,978
Deposits and prepayments		5,166,121	5,521,776
Deposits for land use rights for property development		21,613,400	19,835,111
Amounts due from associates		231,382	200,441
Amounts due from joint ventures		5,695,522	5,000,978
Amounts due from non-controlling interests		701,037	526,852
Tax prepaid		2,248,134	1,889,656
Bank balances and cash		49,751,729	41,411,223
		267,874,963	241,215,637

Condensed Consolidated Statement of Financial Position (Continued)

		30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current Liabilities			
Trade and other payables	12	23,439,288	21,523,324
Dividend payable	9	2,370,453	–
Pre-sales deposits		54,990,837	61,414,386
Rental and other deposits		1,327,605	1,202,760
Amounts due to fellow subsidiaries		1,109,359	353,501
Amounts due to associates		277,909	280,596
Amounts due to joint ventures		8,599,572	5,651,284
Amounts due to non-controlling interests		129,460	842,221
Tax liabilities		15,478,923	16,357,023
Bank borrowings — due within one year		21,172,535	3,302,733
		128,895,941	110,927,828
Net Current Assets		138,979,022	130,287,809
Total Assets Less Current Liabilities		200,788,273	185,594,642
Capital and Reserves			
Share capital	13	19,634,031	817,262
Reserves		99,917,127	109,153,321
Equity attributable to owners of the Company		119,551,158	109,970,583
Non-controlling interests		2,299,656	1,079,813
Total Equity		121,850,814	111,050,396
Non-current Liabilities			
Bank borrowings — due after one year		25,000,240	36,708,758
Guaranteed notes payable	14	48,161,149	32,688,088
Amounts due to non-controlling interests		697,952	581,634
Deferred tax liabilities		5,078,118	4,565,766
		78,937,459	74,544,246
		200,788,273	185,594,642

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Operating cash flows before movements in working capital	15,665,808	11,030,880
Increase in stock of properties	(1,314,703)	(11,255,126)
Increase in trade and other receivables, deposits and prepayments	(1,829,311)	(2,528,096)
Increase in deposits for land use rights for property development	(11,834,977)	(6,575,775)
(Decrease)/increase in trade and other payables, pre-sales deposits and rental and other deposits	(3,613,802)	15,686,265
Other movements in working capital	(1,055,295)	1,541,656
Cash (used in)/generated from operations	(3,982,280)	7,899,804
Income taxes paid	(7,141,855)	(6,501,212)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(11,124,135)	1,398,592
INVESTING ACTIVITIES		
Dividends received from joint ventures	222,558	1,001,579
Additions of investment properties	(3,063,106)	(642,376)
(Advances to)/repayment from joint ventures	(749,991)	339,900
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	–	(822,934)
Capital distribution from a joint venture	–	528,446
Other investing cash flows	(78,132)	118,599
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(3,668,671)	523,214

Condensed Consolidated Cash Flow Statement (Continued)

	Six months ended 30 June	
	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
FINANCING ACTIVITIES		
Interest paid	(1,498,487)	(1,060,387)
Dividends paid	–	(1,961,428)
New bank loans raised	8,210,906	12,201,620
Repayment of bank loans	(1,930,696)	(4,744,725)
Issues of guaranteed notes	15,458,447	–
Advances from joint ventures	3,016,508	4,004,913
Other financing cash flows	113,555	46,354
NET CASH FROM FINANCING ACTIVITIES	23,370,233	8,486,347
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,577,427	10,408,153
CASH AND CASH EQUIVALENTS AT 1 JANUARY	40,875,760	39,879,598
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(297,850)	619,217
CASH AND CASH EQUIVALENTS AT 30 JUNE	49,155,337	50,906,968
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	49,751,729	51,741,667
Less: restricted bank balances	(596,392)	(834,699)
	49,155,337	50,906,968

Condensed Consolidated Statement of Changes in Equity

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Capital		Other reserves	PRC		Total	Non-controlling interests	Total
			redemption reserve	Translation reserve		statutory reserve	Retained profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Note)										
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 its subsidiaries	-	-	-	1,371,721	-	-	-	1,371,721	15,570	1,387,291
Exchange differences on translation of joint ventures	-	-	-	236,411	-	-	-	236,411	-	236,411
Exchange differences on translation of associates	-	-	-	90,976	-	-	-	90,976	-	90,976
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 joint ventures 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

Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited										
	Attributable to owners of the Company										
	Share capital	Capital			Other reserves	PRC		Retained profits	Non-controlling interests		Total
		premium	redemption reserve	Translation reserve		statutory reserve	Total		Total		
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
(Note)											
At 1 January 2014	817,262	18,796,190	18,798	10,495,239	42,313	2,060,638	77,740,143	109,970,583	1,079,813	111,050,396	
Profit for the period	-	-	-	-	-	-	13,022,065	13,022,065	34,243	13,056,308	
Exchange differences on translation of the Company and its subsidiaries	-	-	-	(845,301)	-	-	-	(845,301)	(4,402)	(849,703)	
Exchange differences on translation of joint ventures	-	-	-	(143,194)	-	-	-	(143,194)	-	(143,194)	
Exchange differences on translation of associates	-	-	-	(84,061)	-	-	-	(84,061)	-	(84,061)	
Total comprehensive income for the period	-	-	-	(1,072,556)	-	-	13,022,065	11,949,509	29,841	11,979,350	
Transfers on 3 March 2014 (Note 13)	18,814,988	(18,796,190)	(18,798)	-	-	-	-	-	-	-	
2013 final dividend payable (Note 9)	-	-	-	-	-	-	(2,370,453)	(2,370,453)	-	(2,370,453)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(13,911)	(13,911)	
Issue of shares upon exercise											
of share options	1,781	-	-	-	(262)	-	-	1,519	-	1,519	
Share options expired	-	-	-	-	(238)	-	238	-	-	-	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	1,203,913	1,203,913	
Release of exchange reserve upon liquidation of subsidiaries	-	-	-	(619)	-	-	619	-	-	-	
Transfer to PRC statutory reserve	-	-	-	-	-	128,091	(128,091)	-	-	-	
At 30 June 2014	19,634,031	-	-	9,422,064	41,813	2,188,729	88,264,521	119,551,158	2,299,656	121,850,814	

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

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 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 2013 except for the application of the new or revised standards, amendments or interpretation ("new or revised HKFRSs").

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC)-Int 21	Levies

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.

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 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans — Employees Contributions ¹
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests In Joint Operations ²
HKFRS 9	Financial Instruments ⁴
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39) ⁴
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Annual Improvements Project	Annual Improvements 2010 – 2012 Cycle ¹
Annual Improvements Project	Annual Improvements 2011 – 2013 Cycle ¹

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

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

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 condensed consolidated financial statements 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 2013 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

The management closely monitors the selling activities for the property development projects carried out by its subsidiaries and joint ventures. The analysis of the Group's share of turnover of joint ventures and the share of results of joint ventures 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, the management believes that the additional disclosure of the Group's share of turnover of joint ventures (in addition to the HKFRS condensed consolidated income statement and in this note to the financial statements), together with the share of results of joint ventures by reportable segments enables the readers to better understand how management oversees the results and performance of the joint ventures 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 joint ventures by reportable segments.

Six months ended 30 June 2014

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segments total HK\$'000
Segment turnover				
— from external customers	48,037,745	521,147	1,016,076	49,574,968
Group's share of turnover of joint ventures	3,235,209	—	—	3,235,209
Turnover of the Group and Group's share of turnover of joint ventures	51,272,954	521,147	1,016,076	52,810,177
Segment profit (including share of profits of associates and joint ventures)	16,222,869	3,396,622	34,776	19,654,267
Group's share of profit of joint ventures	554,809	—	—	554,809

Notes to the Financial Statements (Continued)

4. Turnover and Contribution (Continued)

Segment turnover and results (Continued)

Six months ended 30 June 2013

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segments 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 joint ventures	6,172,656	—	—	6,172,656
Turnover of the Group and Group's share of turnover of joint ventures	36,412,422	396,689	1,552,026	38,361,137
Segment profit (including share of profits of associates and joint ventures)	11,936,348	2,298,092	80,586	14,315,026
Group's share of profit of joint ventures	1,216,310	—	—	1,216,310

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 joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of interest income on bank deposits, fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions, corporate expenses, finance costs and net foreign exchange gains. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Reportable segment profits	19,654,267	14,315,026
Unallocated items:		
Interest income on bank deposits	195,821	204,340
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	–	1,458,176
Corporate expenses	(100,525)	(77,658)
Finance costs	(184,951)	(151,258)
Net foreign exchange gains	29,308	360,425
Profit before tax	19,593,920	16,109,051

Notes to the Financial Statements (Continued)

5. Finance Costs

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest on bank loans and guaranteed notes wholly repayable within five years	840,030	680,210
Interest on guaranteed notes not wholly repayable within five years	673,071	390,630
Other finance costs	47,882	41,843
Total finance costs	1,560,983	1,112,683
Less: Amount capitalised	(1,376,032)	(961,425)
	184,951	151,258

6. Income Tax Expenses

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax	11,729	44,127
Macau income tax	119	–
PRC Enterprise Income Tax ("EIT")	3,399,833	2,443,031
PRC withholding income tax	1,893	169,100
PRC Land Appreciation Tax ("LAT")	2,621,980	1,901,393
	6,035,554	4,557,651
Over provision in prior years:		
Hong Kong profits tax	(89)	(89)
EIT	(4,886)	(5,772)
LAT	–	(12,612)
	(4,975)	(18,473)
Deferred tax:		
Current period	507,033	469,575
Total	6,537,612	5,008,753

Notes to the Financial Statements (Continued)

6. Income Tax Expenses (Continued)

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the period.

Under the Law of the People's Republic of China an Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2013: 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% (2013: 12%) in Macau.

7. Profit for the Period

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging/(crediting):		
Business taxes and other levies	2,779,819	1,728,346
Depreciation of property, plant and equipment	51,363	44,847
Amortisation of prepaid lease payments for land	4,056	3,998
Interest income	(234,820)	(227,064)
Net foreign exchange gains	(29,308)	(360,425)

Notes to the Financial Statements (Continued)

8. 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	
	2014	2013
	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	13,022,065	11,032,502
Adjustment to the profit of the Group based on dilutive earnings per share of China Overseas Grand Oceans Group Limited	–	(42,164)
Earnings for the purpose of diluted earnings per share	13,022,065	10,990,338
	Six months ended 30 June	
	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,173,022	8,172,556
Effect of dilutive potential ordinary shares		
Share options	2,086	2,642
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,175,108	8,175,198

Notes to the Financial Statements (Continued)

9. Dividends

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period		
2013 final dividend of HK29 cents per share paid on 3 July 2014 (six months ended 30 June 2013; 2012 final dividend paid of HK24 cents per share)	2,370,453	1,961,428

The Board has determined that an interim dividend of HK20 cents (2013: HK18 cents) per share, amounting to HK\$1,634,795,000 (2013: HK\$1,471,071,000) will be paid to the shareholders of the Company whose names appear in the Register of Members on 29 August 2014 (2013: 28 August 2013). The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the condensed consolidated financial statements.

Notes to the Financial Statements (Continued)

10. Investment Properties

	Completed		Under construction	
	Hong Kong		The PRC HK\$'000	Total HK\$'000
	The PRC HK\$'000	& Macau HK\$'000		
FAIR VALUE				
At 1 January 2014	15,398,001	4,270,700	12,862,960	32,531,661
Additions of land costs and construction costs	–	–	3,063,106	3,063,106
Transfer upon completion	3,111,615	–	(3,111,615)	–
Transfer from completed properties	192,839	–	–	192,839
Gain arising from changes in fair value of investment properties	468,701	49,200	2,438,160	2,956,061
Exchange realignment	(150,589)	–	(149,489)	(300,078)
At 30 June 2014	19,020,567	4,319,900	15,103,122	38,443,589

An analysis of the investment properties of the Group at 30 June 2014 is as follows:

	Total HK\$'000
Investment properties:	
In Hong Kong	
Long-term leases	740,400
Medium-term leases	3,387,500
In Macau	
Medium-term leases	192,000
In the PRC	
Medium-term leases	34,123,689
	38,443,589

Notes to the Financial Statements (Continued)

10. Investment Properties (Continued)

Valuation processes of the Group

The fair values of the investment properties, including both land and building elements held by the Group at 30 June 2014 and 31 December 2013 have 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 an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The Group's finance team reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least twice a year.

At each reporting period the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

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

Notes to the Financial Statements (Continued)

10. Investment Properties (Continued)

Fair value measurements

The valuation for completed investment properties was arrived at by considering the capitalised income 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 investment properties under construction was arrived at by making reference to comparable sales as available in the relevant market. The construction cost incurred, estimated construction cost to complete the development, discount rate and estimated developer's profit as at the date of valuation are also taken into account.

There were no changes to the valuation techniques during the period.

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.

Notes to the Financial Statements (Continued)

11. Trade and Other Receivables (Continued)

The following is an aged analysis of trade and other receivables presented at the end of the reporting period:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade receivables, aged		
0–30 days	2,966,489	1,568,853
31–90 days	262,718	124,518
Over 90 days	617,921	254,271
	3,847,128	1,947,642
Other receivables	688,041	483,336
	4,535,169	2,430,978

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 2014 HK\$'000	31 December 2013 HK\$'000
Trade payables, aged		
0–30 days	8,619,784	6,871,308
31–90 days	1,293,153	1,690,877
Over 90 days	4,982,832	4,315,527
	14,895,769	12,877,712
Other payables	2,817,125	2,852,189
Retentions payable	5,726,394	5,793,423
	23,439,288	21,523,324

Other payables mainly include other taxes payable and sundry accrued charges.

Notes to the Financial Statements (Continued)

13. Share Capital

	Number of shares '000	HK\$'000
Issued and fully paid:		
At 1 January 2014	8,172,616	817,262
Transfers from share premium and capital redemption reserve	–	18,814,988
Issue of shares upon exercise of share options	1,360	1,781
At 30 June 2014	8,173,976	19,634,031

As at 31 December 2013, 10,000,000,000 ordinary shares, with par value of HK\$0.1 each, were authorised for issue. Under the new Companies Ordinance (Cap.622) that came into effect on 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par or nominal value. As a result, the amounts of share premium and capital redemption reserve of the Company are amalgamated with the share capital.

Notes to the Financial Statements (Continued)

14. Guaranteed Notes Payable

During the six months ended 30 June 2014, the Group issued the following new guaranteed notes with similar terms and conditions and different features of carrying amounts of HK\$15,458,843,000 as at 30 June 2014:

Issue date	Principal amount (in million)	Issue price	Fixed interest rate per annum payable semi-annually	Maturity date
8 May 2014	US\$550 (approximately HK\$4,263)	99.786%	4.25%	8 May 2019
8 May 2014	US\$450 (approximately HK\$3,488)	99.554%	5.95%	8 May 2024
11 June 2014	US\$250 (approximately HK\$1,938)	101.132%	4.25%	8 May 2019
11 June 2014	US\$250 (approximately HK\$1,938)	103.080%	5.95%	8 May 2024
11 June 2014	US\$500 (approximately HK\$3,876)	99.445%	6.45%	11 June 2034

The above notes payable are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which includes, inter alia, the negative pledge given by the Company and the related subsidiaries.

Notes to the Financial Statements (Continued)

15. Contingent Liabilities

At 30 June 2014, the Group provided guarantees amounted to HK\$16,752 million (31 December 2013: HK\$15,412 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

At 30 June 2014, the Group also provide guarantees amounted to HK\$1,635 million (31 December 2013: HK\$1,533 million) for the loan facilities granted by the banks to joint ventures, of which HK\$1,635 million has been utilised by the joint ventures (31 December 2013: HK\$1,533 million).

The directors of the Company considered that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

16. Pledged Bank Deposits

At 30 June 2014, the Group has bank deposit of HK\$72,142,000 (31 December 2013: HK\$68,179,000) pledged to secure the mortgage loans granted by banks to the home buyers.

17. Capital Commitment

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Capital expenditure in respect of investment properties:		
Authorised but not contracted for	9,635,814	12,201,581
Contracted but not provided for	2,173,633	1,609,712
	11,809,447	13,811,293

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 significant transactions with related parties during the period:

Nature of transaction	Notes	Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Fellow subsidiaries			
Property development			
project construction fee	(a)	838,770	912,561
Rental income	(b)	7,412	7,412
Insurance fee	(c)	740	755
Security income	(a)	9,101	10,581
Heating pipes connection			
service cost	(a)	–	131,471
Building design consultancy			
income	(c)	724	11,523
Management fees income	(c)	23,681	–
Interest expense	(g)	3,190	–
Associates			
Royalty income	(e)	78,453	80,142
Rental expenses	(b)	7,871	7,767
Property management income	(f)	–	187
Joint ventures			
Interest income	(d)	38,999	22,713
Property development			
project construction income	(c)	13,430	106,424

Notes to the Financial Statements (Continued)

18. Related Party Transactions (Continued)

(a) (Continued)

Notes:

- (a) Property development project construction fee, security income and heating pipes connection service cost are charged by in accordance with respective contracts. The amounts represent aggregated transaction amounts during the period in relation to contracts signed in current and prior years.
- (b) Rental income and expenses are charged in accordance with respective tenancy agreements.
- (c) Insurance fee, building design consultancy income, management fee income and property development project construction income are charged in accordance with respective contracts.
- (d) Interest income is charged at interest rates as specified on the outstanding amounts.
- (e) Royalty income is charged at annual fee as specified in the contract.
- (f) Property management income is charged at rates in accordance with respective contracts.
- (g) The loan carries interest at 5.04% per annum. This loan is a connected transaction which fulfils certain requirements contained in Rule 14A.90 of the Listing Rules. It is exempt from any disclosure or other obligations under Chapter 14A of the Listing Rules.

(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	
	2014 HK\$'000	2013 HK\$'000
Short-term benefits	74,274	41,425
Mandatory Provident Fund contribution	124	30
	74,398	41,455

Others

Interim Dividend

The Board declared the payment of an interim dividend for the six months ended 30 June 2014 of HK20 cents per share (2013: HK18 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 29 August 2014. The interim dividend will be payable on Thursday, 11 September 2014.

Closure of Register of Members

The register of members of the Company will be closed on Friday, 29 August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 August 2014.

Share Capital

The Company's total number of issued shares as at 30 June 2014 was 8,173,975,506 ordinary shares.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct on governing securities transactions by directors (the "**Securities Code**") on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2014.

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 2014 (“the Period”):

	Date of Grant	Outstanding at 01.01.2014	Number of underlying shares comprised in options			Outstanding at 30.06.2014
			Adjustment/ Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	
Aggregate of other employees*	18.06.2004 (vi)	2,718,668	-	(1,359,334)	(1,359,334)	-

* Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

- (2) During the six months ended 30 June 2014, options to subscribe for a total of 1,359,334 Shares of the Company were exercised on 8 May 2014 and the weighted average closing price immediately before the exercise was HK\$20.43.
- (3) The Company’s share option scheme has expired on 15 August 2012. The last lot of option granted under this scheme and unexercised has lapsed after 17 June 2014.

Others (Continued)

Information on Share Options of the Company (Continued)

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	Lapsed**
				(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.

** Lapsed after 17 June 2014

(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 2014, 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 Securities Code adopted by the Company:

(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	% of shares	
		Total	in issue (Note 1)
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%

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)

Name of director	Number of shares held	Total	% of shares in issue (Notes 4 and 5)
<i>— China State Construction Engineering Corporation Limited</i>			
Mr. Zheng Xuexuan	360,000	360,000	0.001%
Mr. Chen Yi	320,000	320,000	0.001%
<i>— China Overseas Grand Oceans Group Limited</i>			
Mr. Luo Liang	70,000	70,000	0.003%

Notes:

- The percentage has been adjusted, where applicable, based on the total number of shares of the Company in issue as at 30 June 2014 (i.e. 8,173,975,506 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).
- 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 2014 (i.e. 3,892,398,927 shares).
- 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 2014 (i.e. 30,000,000,000 shares).
- 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 2014 (i.e. 2,282,239,894 shares).

Others (Continued)

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

Besides, Messrs. Xiao Xiao and Luo Liang held respectively 1,879,278 and 3,531,469 shares in China State Construction International Holdings Limited ("**CSCIHL**"), associated corporation of the Company. Messrs. Hao Jian Min and Xiao Xiao also held respectively 959,247 and 959,247 underlying shares comprised in Options (Note 2 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. Hao Jian Min, Xiao Xiao and Luo Liang respectively are 959,247; 2,838,525 and 3,531,469, representing 0.025%, 0.073% and 0.091% of shares in issue of CSCIHL (particulars refer to Note 3 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 Securities Code adopted by the Company 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 2014, 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 2014, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of shares and underlying shares held			% of shares in issue (Note 1)			Capacity
	(Long Position)	(Short Position)	(Lending Pool)	(Long Position)	(Short Position)	(Lending Pool)	
Silver Lot Development Limited ("Silver Lot")	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)	175,690,923	-	6.23%	2.15%	-	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("CSCECL")	4,346,517,308 (Note 3)	175,690,923	-	53.18%	2.15%	-	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC")	4,346,517,308 (Note 3)	175,690,923	-	53.18%	2.15%	-	Interest of controlled corporation
JP Morgan Chase & Co.	72,100,791 232,452,590 270,572,537	22,643,520 - -	270,572,537 - -	7.03%	0.27%	3.31%	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 2014 (i.e. 8,173,975,506 shares).
2. 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.
3. 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 2014.

Corporate Governance

The Company has complied throughout the period ended 30 June 2014 with all the code provisions (except A.2.1, 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 Listing Rules and with most of the recommended best practices contained therein.

Code Provision A.2.1 — This Code Provision stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company has complied with the second part of this Code Provision (i.e. the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing) throughout the period, but not the first part of this Code Provision.

Since Mr. Kong Qingping resigned as Chairman of the Company with effect from 6 August 2013, Mr. Hao Jian Min (“**Mr. Hao**”) performed the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group’s business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group’s performance could be gravely compromised. Based on the experience and qualification of Mr. Hao, the Board believes that the vesting of two roles to Mr. Hao would continue to provide the Group with stable and consistent leadership and continue to allow for effective and efficient planning and implementation of long term business strategies. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

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.

Others (Continued)

Corporate Governance (Continued)

The Articles of Association of the Company ("**Articles**") and the new Articles of Association of the Company (as adopted by the Company in the Annual General Meeting held on 26 May 2014) ("**New Articles**") provides that:

Articles

- (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting 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 annual general meeting, 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.

New Articles

- (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting 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 annual general meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years at an annual general meeting of the Company.

Others (Continued)

Corporate Governance (Continued)

The non-executive directors (as well as all other directors) of the Company are not appointed for a specific term as required by the first part of Code Provision A.4.1. All the directors of the Company are (with Executive Chairman voluntary, when he is not required by the Articles to retire by rotation) nevertheless subject to retirement by rotation and re-election in accordance with the Articles or (as the case may be) the New Articles. The Articles/New Articles provides that directors appointed to fill a casual vacancy shall hold office only until the next following annual general meeting (not general meeting as specified in the first part of Code Provision A.4.2, thus not complied with the first part of Code Provision A.4.2) of the Company and shall then be eligible for re-election and every Director should be subject to retirement by rotation at least once every three years at an annual general meeting of the Company. As a result of which, every director are in fact has a specific term of three years (upto the date of annual general meeting) and thus is technically not in compliance with the first part of Code Provision A.4.1.

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. The Company has not convened any general meeting, other than annual general meeting, during the period under review and all the directors (including all independent non-executive directors) except Mr. Zheng Xuexuan were present in the annual general meeting for exchanging views with the shareholders.

Mr. Zheng Xuexuan, due to commitment in the mainland China, was unable to attend the annual general meeting of the Company held on 26 May 2014. 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 2013 Annual Report up to 1 August 2014 (the date of this Interim Report) are set out as below:

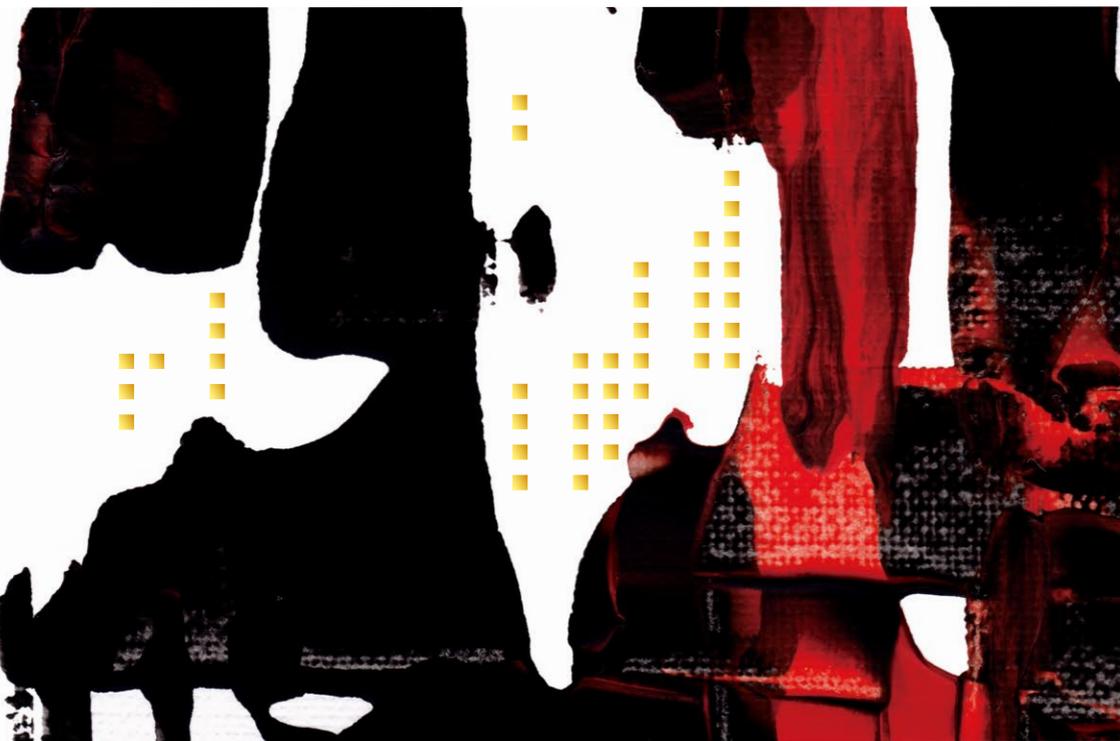
- Mr. Chen Yi was appointed the President of the Company and a Director of China Overseas Holdings Limited, the Company's controlling shareholder.
- Mr. Lam Kwong Siu ceased to be an Independent Non-Executive Director of CITIC Bank International Limited and CITIC International Financial Holdings Limited.
- Dr. Wong Ying Ho, Kennedy was appointed as a Director of Times Property Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and Bank of Beijing Company Limited (a company listed on Shanghai Stock Exchange).
- Mr. Li Man Bun, Brian David was appointed an Executive Director of The Bank of East Asia, Limited (a company listed on The Stock Exchange of Hong Kong Limited), a Member of Asian Financial Forum 2015 Steering Committee, a Committee Member of the Hong Kong Chapter, the Institute of Chartered Accountants in England and Wales, a Member of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, and a Council Member of The Hong Kong Management Association 2014/2015.

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

During the six months ended 30 June 2014, 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 2014, and discussed with the Company's management regarding internal controls and other important matters.



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