中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

(incorporated in Hong Kong with limited liability)
(Stock Code: 00081)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

1. For the six months ended 30 June 2012, property sales increased 88.9% against the corresponding period last year to HK$8,009.2 million, that surpassed 2011's annual sales of HK$7,687.0 million. This represented a saleable gross floor area of 514,036 sq.m. (2011: 203,319 sq.m.).

2. The Group increased its turnover by 150.1% to HK$5,137.5 million, while profit margin remained comparable to the same period last year at 50.1%. Operating profit increased 85.8% against last period and reached HK$2,527.2 million. Profit attributable to the owners of the Company enhanced by 61.8% to HK$1,300.6 million for the half year ended 30 June 2012. Basic earnings per share was HK57.0 cents (2011 restated: HK38.8 cents).

3. The Group expanded into Ganzhou, PRC during the period with an acquisition of a land parcel of an approximate gross floor area of 1,402,000 sq.m for a consideration of approximately RMB1,105.95 million. The Group has an attributable interest of 88% in this project. As at 30 June 2012, total land bank of the Group is estimated available to build gross floor area of approximately 7,501,600 sq.m. (of which, 6,174,000 sq.m. are attributable to the Group, excluding non-controlling shareholders) in nine different cities in PRC.

4. In March 2012, the Group completed the issuance of HK$2.2 billion 2.00% Guaranteed Convertible Bonds due 2017 (credit enhanced until 2015 with step down to zero coupon after 2015). As at 30 June 2012, total borrowings remained comparable at HK$4,016.9 million against last year end. With significant sales achieved during the period, cash and cash equivalents plus restricted cash and deposits were 146.9% higher at a total of HK$6,979.5 million compared with the last financial year end. Accordingly, the Group was at a net cash position as at 30 June 2012 (net gearing ratio as at 31 December 2011: 22.9%).

5. The Board declared the payment of an interim dividend of HK5 cents per share (2011: Nil) for the period ended 30 June 2012.

The board of directors (the “Board”) of China Overseas Grand Oceans Group Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012. For the first half year of 2012, the Group increased its turnover by HK$3,083.3 million or 150.1% to HK$5,137.5 million. The profit attributable to the owners of the Company surged to HK$1,300.6 million, an increase of 61.8% comparing with the same period last year. Basic earnings per share was HK57.0 cents (2011 restated: HK38.8 cents).

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

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

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

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

REVENUE AND OPERATING RESULTS

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

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

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

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

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

LAND BANK

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

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

SEGMENT INFORMATION

PROPERTY SALES AND DEVELOPMENT

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

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

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

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

PROPERTY LEASING

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

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

ISSUANCE OF BONUS SHARES

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL COMMITMENTS AND GUARANTEE

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

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

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

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

EMPLOYEES

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

PROSPECTS

The Economy

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

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

Real Estate Development

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

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

Group Strategy

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

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

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (Unaudited) HK$'000**	31 December 2011 (Audited) HK$'000
Non-current assets			
Investment properties		**2,060,006**	1,883,563
Property, plant and equipment		**38,858**	27,847
Prepaid lease rental on land		**5,467**	1,970
Goodwill		**46,903**	70,475
Other intangible assets		**34,482**	37,065
Interests in jointly controlled entities		**74,667**	73,292
Deferred tax assets		**379,280**	294,656
		2,639,663	2,388,868
Current assets			
Inventories of properties		**13,265,886**	12,392,881
Other inventories		**913**	879
Trade and other receivables, prepayments and deposits	*10*	**1,529,366**	1,903,391
Prepaid lease rental on land		**173**	52
Amounts due from jointly controlled entities		**45,388**	49,340
Amounts due from non-controlling interests		**11,899**	11,965
Tax prepaid		**91,736**	108,290
Restricted cash and deposits		**2,219,594**	805,204
Cash and cash equivalents		**4,759,911**	2,021,223
		21,924,866	17,293,225
Current liabilities			
Trade and other payables	*11*	**2,381,876**	2,172,589
Sales deposits received		**4,156,225**	3,786,608
Amount due to a jointly controlled entity		**244**	246
Amount due to non-controlling interests		**712,723**	573,172
Consideration payable for acquisition of a subsidiary		**-**	78,327
Taxation liabilities		**2,849,736**	2,193,409
Borrowings		**1,263,983**	1,387,066
		11,364,787	10,191,417
Net current assets		**10,560,079**	7,101,808
Total assets less current liabilities		**13,199,742**	9,490,676
Non-current liabilities			
Borrowings		**2,752,879**	2,615,641
Convertible bonds	*12*	**1,603,352**	-
Deferred tax liabilities		**1,476,264**	1,443,005
		5,832,495	4,058,646
Net assets		**7,367,247**	5,432,030
Capital and reserves			
Share capital		**22,822**	15,215
Reserves		**6,886,234**	5,130,792
Equity attributable to owners of the Company		**6,909,056**	5,146,007
Non-controlling interests		**458,191**	286,023
Total equity		**7,367,247**	5,432,030

1. GENERAL INFORMATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Convertible Bonds

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Convertible Bonds (Continued)

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

3. ADOPTION OF NEW AND REVISED HKFRSs

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

New / revised HKFRSs that have been issued but not yet effective

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

- *HKFRS 9 'Financial instruments'* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The new requirements affect the accounting for financial assets and also the financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from *HKAS 39 'Financial instruments: Recognition and measurement'* and have not been changed.

- *HKFRS 10 'Consolidated financial statements'* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- *HKFRS 12 'Disclosure of interests in other entities'* integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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

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

4. REVENUE

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

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

5. SEGMENT INFORMATION

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

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

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	**Consolidated HK$'000**
Six months ended 30 June 2012 (Unaudited)				
Reportable segment revenue*	**5,047,489**	**57,336**	**32,641**	**5,137,466**
Reportable segment profit/(loss)	**2,327,285**	**224,963**	**(2,136)**	**2,550,112**
Corporate income				**3,399**
Corporate expenses				**(32,343)**
Profit before income tax				**2,521,168**
Six months ended 30 June 2011 (Unaudited)				
Reportable segment revenue*	1,981,034	47,980	25,158	2,054,172
Reportable segment profit	1,168,424	190,218	991	1,359,633
Corporate income				227
Corporate expenses				(11,418)
Profit before income tax				1,348,442

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	**Consolidated HK$'000**
As at 30 June 2012(Unaudited)				
Reportable segment assets	**19,586,272**	**2,657,315**	**33,656**	**22,277,243**
Corporate assets				**2,287,286**
Total consolidated assets				**24,564,529**
As at 31 December 2011(Audited)				
Reportable segment assets	16,939,871	2,232,440	64,169	19,236,480
Corporate assets				445,613
Total consolidated assets				19,682,093

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

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

6. PROFIT BEFORE INCOME TAX

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

\# included in "Cost of sales and services provided" in the condensed consolidated income statement

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

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

7. INCOME TAX EXPENSE

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

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

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

7. INCOME TAX EXPENSE (CONTINUED)

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

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE

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

Earnings

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

Weighted average number of ordinary shares (note)

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

Note: The weighted average number of ordinary shares used in calculating the basic earnings per share and diluted earnings per share is adjusted for the bonus share issues occurred in 2011 and 2012 as if both of the bonus share issues had occurred on 1 January 2011.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

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

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

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

12. CONVERTIBLE BONDS

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

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

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

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

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

INTERIM DIVIDEND

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SHARES ISSUED

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

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

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

APPRECIATION

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

By Order of the Board
China Overseas Grand Oceans Group Limited
Hao Jian Min
Chairman and Non-Executive Director

Hong Kong, 2 August 2012

As at the date of this announcement, the Board comprises nine Directors, of which four are executive Directors, namely, Mr. Chen Bin, Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Paul Wang Man Kwan; two non-executive Directors, namely Mr. Hao Jian Min and Mr. Billy Yung Kwok Kee, and three independent non-executive Directors, namely Dr. Timpson Chung Shui Ming, Mr. Jeffrey Lam Kin Fung and Mr. Dantes Lo Yiu Ching.

This interim results announcement is published on the Company's website (http://www.cogogl.com.hk) and the website of the Stock Exchange (http://www.hkexnews.hk). The Interim Report will also be available at the aforementioned websites before the end of August 2012 and will be despatched to shareholders of the Company thereafter.