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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

1. For the year ended 31 December 2012, property sales increased by 75.9% to HK$13,521.1 million comparing with last year for an aggregated sold area of 1,034,768 sq.m. (2011: 372,765 sq.m.).

2. The Group's revenue increased by 88.1% to HK$9,716.9 million against last year, profit margin was 40.5% in current year versus 58.0% in last year. Operating profit increased by 11.8% against last year and reached HK$3,810.0 million. Profit attributable to equity shareholders of the Company increased by 32.2% to HK$2,400.7 million against last year. Basic earnings per share was HK105.2 cents (2011 restated: HK83.4 cents per share).

3. The Group further entered into four new cities including Ganzhou, Yangzhou, Nantong and Changzhou during the year. New acquisitions of land parcels amounted to an approximate gross floor area of 3,679,000 sq.m. in aggregate for total consideration of approximately RMB4,713.3 million. Total land bank is estimated available to build gross floor area of approximately 9,126,800 sq.m. (of which, 7,776,900 sq.m. are attributable to the Group, excluding non-controlling shareholders) in twelve 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 31 December 2012, total borrowings increased by 37.6% to HK$5,507.0 million against last year end. With significant sales achieved during the year, cash and cash equivalents plus restricted cash and deposits were 176.1% higher at a total of HK$7,803.2 million compared with the last financial year end (HK$2,826.4 million). Accordingly, the Group was at a net cash position as at 31 December 2012 (net gearing ratio as at 31 December 2011: 22.9%).

5. The Board recommended the payment of a final dividend of HK6.0 cents per share (2011:HK5.0 cents per share) for the year ended 31 December 2012.

The board of directors (the “Board”) of China Overseas Grand Oceans Group Limited (the “Company”) is pleased to announce the audited final results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2012. With the tremendous supports from the shareholders plus the industrious and diligent efforts rendered by all staff, the Group continued to achieve good performance result with recognized revenue increased by 88.1% to HK$9,716.9 million while profit attributable to the shareholders of the Company enhanced by 32.2% to HK$2,400.7 million, comparing with last year. Basic earnings per share was HK105.2 cents (2011 restated: HK83.4 cents per share).

With the increasing number of development projects undertaken when more third-tier cities were entered into by the Group, the operation scale had enlarged steadily. Property sales for the year was HK$13,521.1 million for an aggregated sold area of 1,034,768 square meter (“sq.m.”), representing an increase of 75.9% and 177.6% respectively over last year.

During the year, newly increased land bank acquisitions amounted to 3,679,000 sq.m., of which, 3,407,600 sq.m. are attributable to the Group, excluding non-controlling shareholders. The Group made further inroads into more third-tier cities at strategic locations in the PRC. New cities entered into included Ganzhou, Yangzhou, Nantong and Changzhou. As of 31 December 2012, the Group has ongoing property development projects in twelve cities in the PRC with a land bank reached 9,126,800 sq.m.

In March 2012, the Group 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). This provides powerful supports at highly competitive finance costs towards the Group’s building up of a massive land bank and rolling out its future development projects. The excellent operational performance and prudent financial indicators of the Group in recent years were well recognized and acclaimed by the international capital market. During the year, 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 prestigious benchmark indices demonstrate the full recognition of the operation scale, profitability and governance of the Company by the international and local investors.

REVENUE AND OPERATING RESULTS

Despite the economic slowdown and stringent policy restrictions over the property market in China in the year, the Group strived to generate a 88.1% increase in revenue to HK$9,716.9 million for the year ended 31 December 2012 upon scheduled completion and delivery of properties, while gross profit increased by HK$942.6 million or 31.5% to HK$3,938.2 million compared to last year. Profit margin was 40.5% in current year versus 58.0% in last year with increasing proportional sales mix generated from third-tier cities.

Operating profit increased by HK$403.3 million or 11.8% against last year and reached HK$3,810.0 million for the year ended 31 December 2012 as a result of continuous improvement in result. Overhead expenses were properly controlled with decreasing marginal costs. The distribution and selling expenses increased by 62.4% to HK$213.2 million while administrative expenses increased by 73.9% to HK$351.3 million. Besides, there was an upward fair value gain of HK$364.3 million (2011: HK$355.1 million) in respect of the investment properties.

Finance costs lowered to HK$8.6 million from HK$33.5 million of last year, after capitalization of HK$341.9 million to the on-going development projects.

For the year ended 31 December 2012, profit attributable to equity shareholders of the Company increased by 32.2% to HK$2,400.7 million against last year (2011: HK$1,815.4 million).

LAND BANK

The Group’s management believes that a sizable and quality land bank is one of the most important resources for a property developer. A key success factor would therefore be the Group’s capability to acquire sites at competitive prices and at opportune times, thereby securing attractive returns on the properties it develops and sells.

As the Group strategy is to expand into emerging third-tier cities in the PRC, it succeeded in entering into four additional new cities including Ganzhou, Yangzhou, Nantong and Changzhou during the year. In addition, a total of six new acquisitions of land parcels were transacted through participation in public land auctions, with an approximate gross floor area of 3,679,000 sq.m. in aggregate added to the Group’s land bank for total consideration of approximately RMB4,713.3 million.

As at 31 December 2012, total land bank of the Group is estimated available to build gross floor area of approximately 9,126,800 sq.m. (of which, 7,776,900 sq.m. are attributable to the Group, excluding non-controlling shareholders) in twelve different cities in PRC.

SEGMENT INFORMATION

PROPERTY SALES AND DEVELOPMENT

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

With an increasing number of third-tier cities entered into during the past few years, property sales increased significantly by HK$5,834.1 million to HK$13,521.1 million against last year, corresponding to a saleable gross floor area of 1,034,768 sq.m. (2011: 372,765 sq.m.).

Property sales from major projects during the year:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Beijing	Lagoon Manor	90,948	2,854.0
Guangzhou	The Oakwood	81,632	2,443.0
Hefei	The Great Hill	149,182	1,429.5
Hohhot	The Arch	137,444	1,180.7
	Royal East	75,658	676.7
	Dragon Cove	30,180	636.1
Yinchuan	International Community	122,159	932.3
Lanzhou	The Arch	76,020	763.0
Ganzhou	International Community	86,005	643.4
Jilin	Royal East	72,087	607.5

Progress for all development projects were satisfactory and largely in line with the construction programs. Nearly 848,200 sq.m. of construction sites were completed for occupation in the year (2011: 243,530 sq.m.) with about 82% of these sold out. Coupled with stock sales, recognized revenue increased to HK$9,530.7 million (2011: HK$4,995.9 million) while segment result soared to HK$3,434.8 million (2011: HK$2,989.9 million) due to increasing turnover.

Recognized revenue from major projects during the year:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Guangzhou	The Oakwood	146,709	3,988.5
	Banyan Bay	6,813	407.5
Beijing	Lagoon Manor	83,925	2,338.7
Hohhot	Royal East	91,555	811.2
	The Arch	54,017	445.7
Hefei	The Great Hill	23,570	450.8
Jilin	Royal East	50,780	372.8
	Royal Waterfront	36,600	362.2
Yinchuan	International Community	9,701	160.5
Guilin	The Chief Palace	10,833	81.6

In addition to the above, the following projects had commenced the construction work in the year:

City	Name of project	Construction commenced
Hefei	Maison du Lac	March 2012
Hohhot	The Bund	June 2012
Yinchuan	International Community (Land Lot No. 53-2)	July 2012

At year end date, properties under construction and stock of completed properties amounted to 3,214,492 sq.m. and 198,998 sq.m. respectively, totaling 3,413,490 sq.m.. Properties of 741,920 sq.m. had been contracted for sales and were pending for handover upon completion.

PROPERTY LEASING

For the year ended 31 December 2012, with increased rental rate for expired leases and thus a higher average rental rate, rental income increased to HK$119.9 million (2011: HK$109.7 million). Taken into account a further upside fair value gain (net of ancillary goodwill impairment) of HK$338.3 million (2011: HK$355.1 million) in respect of the investment properties and contribution from the jointly controlled entities of HK$8.9 million (2011: HK$6.2 million), segment profit was HK$435.0 million for the year (2011: HK$445.3 million).

At the year end, China Overseas International Center in Xicheng District, Beijing was 85% let while the occupancy rate for the scientific research office building in Zhang Jiang High-tech Zone in Shanghai was about 93%. 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 year 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$3,027.0

million during the year from the financial institutions. While drawdowns of HK$2,417.9 million from the credit facilities were partly offset by the repayments of HK$912.3 million during the year, total borrowings (exclude the convertible bonds) increased by 37.6% to HK$5,507.0 million against last year end. Interest of such borrowings was charged at floating rates with a weighted average of 4.817% per annum. About 37.3% of such borrowings is repayable within one year.

Coupled with significant sales achieved during the year, cash and cash equivalents plus restricted cash and deposits were 176.1% higher at a total of HK$7,803.2 million compared with the last financial year end (HK$2,826.4 million). Accordingly, the Group was at a net cash position as at 31 December 2012 (net gearing ratio as at 31 December 2011: 22.9%).

On the other hand, net working capital amounted to HK$12,471.2 million as of 31 December 2012, (31 December 2011: HK$7,101.8 million) with a quick ratio of 0.7 (31 December 2011: 0.5).

Taking into consideration of the unutilized bank credit facilities available to the Group of HK$1,391.6 million, the Group’s total available funds (including restricted cash and deposits of HK$1,821.1 million) reached HK$9,194.8 million as at 31 December 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 31 December 2012, about 41.0% and 59.0% of the Group’s total borrowings (including the liability component of the convertible bonds) were denominated in Renminbi and Hong Kong Dollar/US 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 31 December 2012, the Group had capital commitments totaling HK$8,259.4 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$5,066.8 million, (equivalent to RMB4,108.3 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$17.6 million approximately during the year under review, mainly referred to additions in leasehold improvement, motor vehicles, furniture, fixtures and office equipment.

On the other hand, as at 31 December 2012, certain property assets with an aggregate carrying value of HK$2,254.9 million in the PRC were pledged to obtain HK$425.5 million (equivalent to RMB345.0 million) of secured borrowings from a PRC bank for the development projects.

EMPLOYEES

As at 31 December 2012, the Group has approximately 677 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

As a developing country, China was confronted by trading difficulty from weakened exports in recent years due to the western's stagnation. It has started to strike a better balance between external and internal economic development, as well as to speed up the transformation of the mode of economic development. The Central Economic Work Conference held in December 2012 confirmed the policy stances of a proactive fiscal policy and a prudent monetary policy, while strengthening and fine-tuning the macroscopic adjustment measures. These would enable the sustainable and healthy development of the country with the progressive urbanization of its cities cautiously, and in enormous scale with high quality. Through conducting structural reform for reallocation of value-added gains, this would help to safeguard people's livings and promote their living standard.

China's impacts to the world economy are increasingly important and would certainly re-define the global economic landscape. It is forecasted that the GDP growth rate would attain 7.8% in 2012, well exceeding those of the major economies in the world. Meanwhile, inflation has been maintained at a relative low inflation level and tamed at 2.6%. While it is generally believed that a slightly higher CPI would be prevailing in 2013, the Central government would likely keep it under control with stabilizing monetary policy, with due caution for import inflation coming from excessive overseas liquidity.

Real Estate Development

In the past two years, the real estate market had been developed in the right track when property prices were regulated by the government's macroscopic control measures. Restrictions in property purchase, mortgage and prices had obtained good solid results.

The core demand for property housing remains strong as a result of the demand pull arising from the demographic dividend as well as people's needs for improvement in accommodation standard.

Meanwhile, there is a contemporary trend to improve and streamline the economic structure through the process of town urbanization so that cost and price inflation due to over-concentration in very big cities are mitigated. To promote industrial modification and upgrade, the relevant economic activities would need to be spread out, with primary economic activities such as standardized manufacturing and production processes decentralized into medium size cities. The investment in infrastructure and transport systems in recent years has also paved way for this direction.

The Central Economic Work Conference's policy statement to speed up town urbanization would likely provide a strong reinforcement to the strong housing demands in third-tier cities. In China, the present average urbanization rate is marginally above 50% and is well below the global average of about 80% in developed countries. Hence, the room for expansion is enormous. With the progressive development of the town urbanization scheme in third-tier cities, it would improve the existing environment of such third-tier cities. That leads to the development of the property market and creates more business opportunities.

Group Strategy

The Group believes that the operating strategies and positioning of itself as a middle to high-end property developer in the emerging third-tier cities with best investment value and growth potentials would contribute a lot to align with the national directives and also benefit from the same.

The Group is visionary to become a high-growth star property developer of the highest potential in the PRC residential property market, accompanying with good customer satisfaction and company goodwill.

During the year, the Group had entered into four additional third-tier cities at different strategic locations in the PRC and lay down solid business foundation. It will continue to identify good potential third-tier cities for future business development and expansion.

Faced with the challenges ahead, the Group would continue to strengthen the cost controls, launch development project schedule sensibly and set up corporate strategies under the main theme of healthy, stable and swift development, with the supports of the human resources and financial resources assurance systems. While pursuing a framework of product standardization, the Group would concentrate its efforts to provide innovative market propositions and enhance its marketing capabilities. It will continue to expand its land bank in selective third-tier cities for a sustainable business growth.

The Group has implemented proper internal control, operating procedures, standard workflows and procedural guidelines, while undertaking continuous cost savings initiatives over the development projects. In light of the challenges ahead, the Group would closely monitor the impacts from the external economic environment and the national policy changes to the business operations.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	*4*	**9,716,902**	5,165,720
Cost of sales and services provided		**(5,778,733)**	(2,170,138)
Gross profit		**3,938,169**	2,995,582
Other income		**54,478**	29,918
Distribution and selling expenses		**(213,194)**	(131,272)
Administrative expenses		**(351,258)**	(201,944)
Other operating expenses		**(1,209)**	(61,576)
Other gains / (losses)			
Fair value gain on reclassification of inventories of properties to investment properties		**-**	238,188
Fair value gain on investment properties		**364,280**	116,915
(Impairment loss) / Reversal of impairment on assets, net		**(26,906)**	18,168
Gain on disposal of subsidiaries and a jointly controlled entity		**45,607**	-
Gain on disposal of a subsidiary		**-**	213,340
Gain on disposal of investment properties		**-**	37,584
Gain arising from acquisitions of subsidiaries		**-**	135,700
Others		**-**	16,068
Operating profit		**3,809,967**	3,406,671
Finance costs		**(8,590)**	(33,497)
Share of results of jointly controlled entities		**8,884**	7,579
Profit before income tax	*6*	**3,810,261**	3,380,753
Income tax expense	*7*	**(1,324,622)**	(1,575,935)
Profit for the year		**2,485,639**	1,804,818
Profit/(Loss) for the year attributable to:			
Owners of the Company		**2,400,718**	1,815,418
Non-controlling interests		**84,921**	(10,600)
		2,485,639	1,804,818
		HK Cents	HK Cents (Restated)
Earnings per share	*9*		
Basic		**105.2**	83.4
Diluted		**97.2**	79.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**2,485,639**	1,804,818
Other comprehensive income		
Exchange difference arising from translation of overseas operations		
- subsidiaries	**55,553**	202,157
- jointly controlled entities	**23**	3,343
	55,576	205,500
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	**(62,505)**	(23,981)
Tax effect	**27,180**	8,161
	(35,325)	(15,820)
Fair value adjustment upon transfer of owner-occupied properties to investment properties	**-**	38,934
Tax effect	**9,549**	(19,442)
	9,549	19,492
Other comprehensive income for the year, net of tax	**29,800**	209,172
Total comprehensive income for the year	**2,515,439**	2,013,990
Total comprehensive income attributable to:		
Owners of the Company	**2,429,241**	2,014,578
Non-controlling interests	**86,198**	(588)
	2,515,439	2,013,990

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Investment properties		**2,248,932**	1,883,563
Property, plant and equipment		**47,177**	27,847
Prepaid lease rental on land		**5,479**	1,970
Goodwill		**-**	70,475
Other intangible assets		**32,277**	37,065
Interests in jointly controlled entities		**79,238**	73,292
Deferred tax assets		**271,314**	294,656
		2,684,417	2,388,868
Current assets			
Inventories of properties		**17,522,426**	12,392,881
Other inventories		**963**	879
Trade and other receivables, prepayments and deposits	*10*	**2,792,833**	1,903,391
Prepaid lease rental on land		**174**	52
Amounts due from jointly controlled entities		**45,632**	49,340
Amounts due from non-controlling interests		**20,538**	11,965
Tax prepaid		**74,343**	108,290
Restricted cash and deposits		**1,821,131**	805,204
Cash and cash equivalents		**5,982,086**	2,021,223
		28,260,126	17,293,225
Current liabilities			
Trade and other payables	*11*	**4,034,650**	2,172,589
Sales deposits received		**7,060,789**	3,786,608
Amount due to a jointly controlled entity		**-**	246
Amounts due to non-controlling interests		**799,119**	573,172
Consideration payable for acquisition of a subsidiary		**-**	78,327
Taxation liabilities		**1,841,868**	2,193,409
Borrowings		**2,052,536**	1,387,066
		15,788,962	10,191,417
Net current assets		**12,471,164**	7,101,808
Total assets less current liabilities		**15,155,581**	9,490,676
Non-current liabilities			
Borrowings		**3,454,443**	2,615,641
Convertible bonds	*12*	**1,650,543**	-
Deferred tax liabilities		**1,441,497**	1,443,005
		6,546,483	4,058,646
Net assets		**8,609,098**	5,432,030
Capital and reserves			
Share capital		**22,822**	15,215
Other reserves		**3,478,853**	2,836,230
Retained profits		**4,327,616**	2,218,487
Proposed dividend	*8*	**136,934**	76,075
Equity attributable to owners of the Company		**7,966,225**	5,146,007
Non-controlling interests		**642,873**	286,023
Total equity		**8,609,098**	5,432,030

1. GENERAL INFORMATION

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 Unit 6703, Level 67, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The principal activities of the Group mainly comprise property investment and development, property leasing and investment holding. The Group's business activities are principally carried out in certain regions in the PRC such as Beijing, Guangzhou, Ganzhou, Hohhot-Inner Mongolia, Jilin, Nantong and Yinchuan.

As at 31 December 2012 and 2011, the Company is an associated company of China Overseas Land & Investment Limited ("COLI"). COLI is a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange and its ultimate holding company is China State Construction Engineering Corporation (“CSCEC”), an entity established in the PRC.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The financial statements for the year ended 31 December 2012 were approved for issue by the Board on 1 March 2013.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values.

Save as described below and with the addition of certain standards and interpretations of HKFRSs issued and became effective in current year as described in note 3 “Adoption of new and revised HKFRSs”, the accounting policies used in preparing the consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2011.

Convertible Bonds

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

Convertible bonds issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond containing derivative features where applicable. The equity component of the convertible bonds is then the residual after deducting the fair value of the liability component from the proceeds from the issue of the convertible bonds.

The liability component is subsequently carried as a non-current liability at amortized cost using the effective interest method until extinguished on conversion or redemption. Interest expense is recognized in accordance with the Group’s accounting policy for borrowing costs.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Convertible Bonds (Continued)

The equity component is recognized in convertible bonds equity reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the convertible bonds 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 bonds equity reserve is released directly to retained profits.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period using the effective interest method.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new / revised HKFRSs – effective 1 January 2012

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Amendments to HKFRS 7 Disclosures – Transfer of Financial Assets

The Group has applied the amendments to HKFRS 7 *Disclosures – Transfer of Financial Assets* in the current year. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group’s financial statements to understand the relationship with their associated liabilities. In addition, the amendment requires disclosures about the entity´s continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, such involvement. The amendments did not have an impact on the Group’s financial position, performance or its disclosures.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The Group has applied the amendments to HKAS 12 *Deferred Tax – Recovery of Underlying Assets* in the current year. The amendments to HKAS 12 introduced a rebuttable presumption that an investment property is recovered entirely through sale. The presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The Group measures its investment properties using the fair value model. Previously, deferred taxation on investment properties is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through sale. During the year, the directors reviewed the Group’s investment property portfolios and concluded that certain of the Group’s investment properties located in other region of the PRC which are depreciable are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. There is a change in management’s expectation on the manner to recover the value of these investment properties during the year and following the amendments to HKAS 12, the Group has adjusted the amount of deferred tax provided for those investment properties in order to reflect the tax consequences of recovering those investment properties through consumption during its economic life. Such adjustments amounting to HK$228,136,000 and HK$9,549,000 are credited to profit or loss and other comprehensive income for the year ended 31 December 2012 respectively.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income [1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKAS 19 (2011)	Employee Benefits [2]
HKAS 27 (2011)	Separate Financial Statements [2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurements [2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities [3]
Annual improvements	Annual improvements to HKFRSs – 2009-2011 Cycle [2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 Presentation - Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of “currently has a legally enforceable right of set-off” and some gross settlement systems may be considered equivalent to net settlements. The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The directors anticipate that the application of the amendments to HKAS 32 and HKFRS 7 may affect the Group’s disclosure regarding offsetting financial assets and financial liabilities in the future. The amendments will be applied retrospectively.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New / revised HKFRSs that have been issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognized in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues apply. The Group expects to adoption HKFRS 9 from 1 January 2015.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New / revised HKFRSs that have been issued but not yet effective (Continued)

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC) – 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognize its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 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

HKFRS 13 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 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.

Annual improvements to HKFRSs - 2009-2011 Cycle

The *Annual Improvements to HKFRSs – 2009–2011 Cycle* include a number of amendments to various HKFRSs, which include: HKAS 1 *Presentation of Financial Statements*, HKAS 16 *Property Plant and Equipment*, HKAS 32 *Financial Instruments: Presentation* and HKAS 34 *Interim Financial Reporting.*

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 year is as follows:

	2012	2011
	HK$'000	HK$'000
Sales of properties	**9,530,749**	4,995,936
Property rental income	**119,869**	109,676
Property management fee income	**66,284**	60,108
Total revenue	**9,716,902**	5,165,720

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 residential and commercial properties in the PRC.

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 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 revenue represents sales from external customer and there were no inter-segment sales between different business segments for the years ended 31 December 2012 and 2011. 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 tax assets and corporate assets, including certain 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.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to related parties and other liabilities directly attributable to the business activities of operating segments and exclude tax liabilities, corporate liabilities and liabilities such as borrowings and convertible bonds that are managed on a group basis.

5. SEGMENT INFORMATION (CONTINUED)

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

Segment results, segment assets and segment liabilities

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	**Consolidated HK$'000**
Year ended 31 December 2012				
Reportable segment revenue	**9,530,749**	**119,869**	**66,284**	**9,716,902**
Reportable segment profit/(loss)	**3,434,753**	**434,974**	**(1,365)**	**3,868,362**
Corporate income				**9,606**
Corporate expenses				**(67,707)**
Profit before income tax				**3,810,261**
As at 31 December 2012				
Reportable segment assets	**27,450,280**	**2,649,640**	**79,733**	**30,179,653**
Tax assets				**345,657**
Corporate assets				**419,233**
Total consolidated assets				**30,944,543**
Reportable segment liabilities	**11,767,361**	**64,691**	**48,694**	**11,880,746**
Tax liabilities				**3,283,365**
Corporate liabilities				**7,171,334**
Total consolidated liabilities				**22,335,445**
Year ended 31 December 2011				
Reportable segment revenue	4,995,936	109,676	60,108	5,165,720
Reportable segment profit	2,989,940	445,299	5,138	3,440,377
Corporate income				614
Corporate expenses				(60,238)
Profit before income tax				3,380,753
As at 31 December 2011				
Reportable segment assets	16,939,871	2,232,440	64,169	19,236,480
Tax assets				402,946
Corporate assets				42,667
Total consolidated assets				19,682,093
Reportable segment liabilities	6,732,545	83,505	44,855	6,860,905
Tax liabilities				3,636,414
Corporate liabilities				3,752,744
Total consolidated liabilities				14,250,063

5. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (continued)

Other information

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Corporate HK$'000	**Consolidated HK$'000**
Year ended 31 December 2012					
Interest income	**34,174**	**4,691**	**431**	**9,606**	**48,902**
Depreciation and amortization	**(5,119)**	**(5,909)**	**(314)**	**(465)**	**(11,807)**
Fair value gain on investment properties	**-**	**364,280**	**-**	**-**	**364,280**
Impairment loss recognized in profit or loss, net	**(916)**	**(25,990)**	**-**	**-**	**(26,906)**
Share of result of a jointly controlled entity	**-**	**8,884**	**-**	**-**	**8,884**
Additions to specified non-current assets #	**12,514**	**-**	**513**	**4,586**	**17,613**
Write-off of property, plant and equipment	**(29)**	**-**	**(16)**	**(856)**	**(901)**
As at 31 December 2012					
Interests in a jointly controlled entity	**-**	**79,238**	**-**	**-**	**79,238**
Year ended 31 December 2011					
Interest income	23,538	3,517	322	324	27,701
Depreciation and amortization	(2,650)	(5,588)	(457)	(247)	(8,942)
Fair value gain on reclassification of inventories of properties to investment properties	-	238,188	-	-	238,188
Fair value gain on investment properties	-	116,915	-	-	116,915
Reversal of impairment recognized in profit or loss, net	18,168	-	-	-	18,168
Share of results of jointly controlled entities	1,428	6,151	-	-	7,579
Additions to specified non-current assets #	10,584	626	389	582	12,181
Write-off of property, plant and equipment	(149)	-	(52)	-	(201)
As at 31 December 2011					
Interests in jointly controlled entities	2,960	70,332	-	-	73,292

\# Including additions to the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets including goodwill and interests in jointly controlled entities but exclude transfer from inventories of properties

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

All of the Group's revenue is derived from activities in the PRC (other than Hong Kong). Accordingly, no analysis of the Group's revenue by geographical locations is presented.

An analysis of the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets including goodwill and interests in jointly controlled entities (i.e. "specified non-current assets") by geographical locations, determined based on physical location of the assets or location of operations in case of goodwill and interests in jointly controlled entities, is as follows:

	2012	2011
	HK$'000	HK$'000
Hong Kong	**4,389**	1,219
Other regions of the PRC	**2,408,714**	2,092,993
	2,413,103	2,094,212

6. PROFIT BEFORE INCOME TAX

	2012	2011
	HK$'000	HK$'000
Profit before income tax is arrived at after charging / (crediting):		
Amortization:		
Prepaid lease rental on land	**36**	58
Other intangible assets #	**4,764**	4,673
Depreciation of property, plant and equipment	**7,007**	4,211
Total amortization and depreciation	**11,807**	8,942
Gain on disposal of property, plant and equipment	**-**	(16,127)
Reversal of impairment on loans and receivables	**(43,482)**	(35,457)
Impairment on goodwill	**70,388**	17,289
Compensation for a property development project	**-**	60,265

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

7. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Income tax expense comprise:		
Current tax for the year		
Other regions of the PRC		
- Enterprise income tax ("EIT")	**784,223**	664,738
- Land appreciation tax ("LAT")	**505,289**	866,423
	1,289,512	1,531,161
(Over)/Under provision in prior years		
Other regions of the PRC		
- EIT	**(14,489)**	1,633
Deferred tax	**49,599**	43,141
	1,324,622	1,575,935

For the year ended 31 December 2012 and 2011, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profit in Hong Kong for both years.

EIT arising from other regions of the PRC is calculated at 25% (2011: 25%) of the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (2011: 30% to 60%) on the estimated 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.

The income tax expense can be reconciled to the profit before income tax at applicable tax rates as follows:

	2012 HK$'000	2011 HK$'000
Profit before income tax	**3,810,261**	3,380,753
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**961,046**	782,295
Expenses not deductible for tax purpose	**41,436**	32,163
Income not taxable for tax purpose	**(23,592)**	(94,692)
Share of results of jointly controlled entities	**(2,221)**	(1,895)
Utilization of tax losses previously not recognized	**(14,802)**	(423)
LAT deductible for calculation of income tax	**(123,963)**	(259,937)
Tax losses not recognized	**25,741**	33,871
(Over) / Under provision in prior years	**(14,489)**	1,633
Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiaries	**317,458**	56,080
Others	**10,606**	4,382
	1,177,220	553,477
LAT	**147,402**	1,022,458
Income tax expense	**1,324,622**	1,575,935

8. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year:

	2012 HK$'000	2011 HK$'000
Interim dividend – HK$0.05 (2011: Nil) per ordinary share	**114,112**	-
Proposed final dividend – HK$0.06 (2011: HK$0.05) per ordinary share *(note)*	**136,934**	76,075
	251,046	76,075

Note:
The final dividend of HK$0.06 (2011: HK$0.05) per ordinary share, amounting to approximately HK$136,934,000 (2011: HK$76,075,000), has been proposed by the Board and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

(b) Dividends paid to owners of the Company attributable to the previous financial year:

	2012 HK$'000	2011 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.05 (2011: HK$0.10) per ordinary share	**76,075**	101,433

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	**2012 HK$'000**	2011 HK$'000
Earnings used in calculating basic earnings per share	**2,400,718**	1,815,418
Adjustment to the profit of the Group		
– imputed interest on consideration payable for acquisition of non-controlling interests	**-**	9,005
– imputed interest on convertible bonds	**16,884**	-
Earnings used in calculating diluted earnings per share	**2,417,602**	1,824,423

Weighted average number of ordinary shares (note)

	2012 '000	2011 '000 (Restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,282,240**	2,177,705
Effect of dilutive potential ordinary shares		
– issuance of shares for acquisition of non-controlling interests	**-**	104,535
– issuance of shares for conversion of convertible bonds	**205,785**	-
	205,785	104,535
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,488,025**	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

	2012 HK$'000	2011 HK$'000
Trade receivables, net *(note)*	**169,655**	7,176
Other receivables	**106,408**	94,456
Prepayments and deposits	**2,516,770**	1,801,759
	2,792,833	1,903,391

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

	2012 HK$'000	2011 HK$'000
30 days or below	**169,539**	4,348
91–180 days	**-**	2,828
181–360 days	**26**	-
Over 360 days	**90**	-
	169,655	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. In general, trade receivables are due on presentation of invoices.

Overdue receivables are reviewed regularly by senior management and impairment provision would be considered for those balances.

11. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables *(note)*	**3,281,810**	1,772,625
Other payables and accruals	**684,489**	345,191
Deposits received	**68,351**	54,773
	4,034,650	2,172,589

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

	2012 HK$'000	2011 HK$'000
30 days or below	**1,885,481**	819,554
31–60 days	**165,129**	118,503
61–90 days	**117,299**	21,141
91–180 days	**283,095**	241,500
181–360 days	**559,869**	243,528
Over 360 days	**270,937**	328,399
	3,281,810	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") regarding the issue of convertible bonds in an aggregate principal amount of HK$2,200,000,000 (the "Convertible Bonds"). The completion of the Subscription Agreement took place and the Convertible Bonds were issued on 21 March 2012. The Convertible Bonds were issued at 100% of the principal amount.

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 HK$'000	**Equity component HK$'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 expense	**114,125**	**-**
Interest paid	**(22,000)**	**-**
Carrying amount as at 31 December 2012	**1,650,543**	**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.

PROPOSED FINAL DIVIDEND

After reviewing the result performance for the year and working capital requirements for the Group's future expansion of its business, the Board recommended the payment of a final dividend of HK6.0 cents per share (2011: HK5.0 cents per share) for the year ended 31 December 2012 which will be payable on 5 July 2013 to the members of the Company registered as at the close of business on 14 May 2013. Together with the interim dividend of HK5.0 cents per share (2011: Nil) paid in August 2012, total dividends will amount to HK11.0 cents per share (2011: HK5.0 cents per share) for the financial year.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 7 May 2013 (the "AGM").

The Register of Members of the Company will be closed from Monday, 6 May 2013 to Tuesday, 7 May 2013 (both days inclusive), during which period no transfer of shares will be effected. In order to determine the identity of the Members who are entitled to attend and vote at AGM, all transfers accompanied by the relevant share certificates must be lodged with Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 May 2013.

The Register of Members of the Company will also be closed on Tuesday, 14 May 2013, no transfer of shares will be effected on that day. In order to determine the identity of the Members for entitlement of the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 13 May 2013.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company has discussed and reviewed with management the annual results and consolidated accounts for the year ended 31 December 2012.

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 year ended 31 December 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 year ended 31 December 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.

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 year ended 31 December 2012.

CORPORATE GOVERNANCE PRACTICE

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 year ended 31 December 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.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITES OF THE STOCK EXCHANGE THE COMPANY

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk under "Latest Information" and on the Company's websites at http://www.cogogl.com.hk respectively.

The printed copy of the 2012 Annual Report will be sent to shareholders of the Company by the end of March 2013 and the soft copy of the Annual Report will be published on websites of both the Stock Exchange and the Company in due course.

APPRECIATION

Finally, I would like to take this opportunity to thank my fellow directors, our staff for their dedicated efforts and contributions to the Group for the year, as well as the continued supports rendered by our shareholders.

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

Hong Kong, 1 March 2013

As at the date of this announcement, the Board comprises nine Directors, of which four are executive Directors, namely, Mr. Chen Bin, Mr. Xiang Hong, Mr. Paul Wang Man Kwan and Mr. Yang Hai Song; 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.