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

Stock Code: 00688

A Trusted Brand
Growing Through Diligence and Care

Annual Report 2015

Contents

Board of Directors and Committees

EXECUTIVE DIRECTORS

Hao Jian Min	*Chairman and Chief Executive Officer*
Xiao Xiao	*Vice Chairman*
Luo Liang	
Nip Yun Wing	

NON-EXECUTIVE DIRECTOR

Zheng Xuexuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Kwong Siu
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

Li Man Bun, Brian David*
Lam Kwong Siu
Fan Hsu Lai Tai, Rita

REMUNERATION COMMITTEE

Lam Kwong Siu*
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

NOMINATION COMMITTEE

Fan Hsu Lai Tai, Rita*
Lam Kwong Siu
Li Man Bun, Brian David

* Committee Chairman

Corporate Information

REGISTERED OFFICE

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong

Telephone	:	(852) 2823 7888
Facsimile	:	(852) 2865 5939
Website	:	www.coli.com.hk

COMPANY SECRETARY

Keith Cheung, Solicitor

REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2810 8185
E-mail	:	is-enquiries@hk.tricorglobal.com

INVESTOR RELATIONS

Corporate Communications Department

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

PUBLIC RELATIONS

Corporate Communications Department

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

LEGAL ADVISOR

Mayer Brown JSM

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS (In Alphabetical Order)

Agricultural Bank of China Limited
Agricultural Bank of China Limited
  Hong Kong Branch
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
  Hong Kong Branch
The Bank of East Asia, Limited
China Construction Bank Corporation
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Ltd.
Industrial and Commercial Bank of China (Asia) Ltd.
Oversea-Chinese Banking Corporation Limited
OCBC Wing Hang Bank Limited
Shanghai Pudong Development Bank Co., Ltd.,
  Hong Kong Branch
Sumitomo Mitsui Banking Corporation
United Overseas Bank Limited

Shareholders' Information and Financial Calendar

LISTING

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**") and certain notes issued by the Company's subsidiaries are listed in SEHK and/or other stock exchange.

STOCK CODE

Shares

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

Notes

in USD

	SEHK	Bloomberg	Reuters
Note 1:	China OVS N2011 Code: 4503	EI4567265	XS0508012092
Note 2:	China OVS N1702 Code: 4533	EJ0197768	XS0745169044
Note 3:	China OVS N2211 Code: 4579	EJ4365304	XS0852986156
Note 4:	China OVS N4211 Code: 4580	EJ4365403	XS0852986313
Note 5:	China OVS N1810 Code: 5987	EJ9002563	XS0984184316
Note 6:	China OVS N2310 Code: 5988	EJ9002621	XS0972980097
Note 7:	China OVS N4310 Code: 5989	EJ9002803	XS0985567881
Note 8:	China OVS N1905 Code: 5745	EK2478924	XS1063561143
Note 9:	China OVS N2405 Code: 5746	EK2478981	XS1063561499
Note 10:	China OVS N3406 Code: 5760	EK3172450	XS1075180379

in Euro

	ISE	SEHK	Bloomberg	Reuters
Note 11:	BYM68V0	CN OVS LD N1907 Code: 5541	AF2041693	XS1236611684

in RMB

	SSE
Note 12:	15 中海 01 Code: 136046
Note 13:	15 中海 02 Code: 136049

Remarks:

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

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

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

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

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

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

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

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

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

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

Note 11: *EUR600,000,000 1.75 per cent. Guaranteed Notes due July 2019 by China Overseas Land International (Cayman) Limited, a wholly owned subsidiary of the Company.*

Note 12: *RMB7,000,000,000 3.40 per cent. Notes due November 2021 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

Note 13: *RMB1,000,000,000 3.85 per cent. Notes due November 2022 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

FINANCIAL CALENDAR

Interim results announcement	:	19 August 2015
Interim dividend paid	:	25 September 2015
Special interim dividend paid*	:	22 October 2015
Final results announcement	:	18 March 2016
Share register closed for Annual General Meeting	:	5 May 2016 to 6 May 2016 *(both days inclusive)*
Annual General Meeting	:	6 May 2016
Share register closed for Final dividend	:	12 May 2016
Final dividend payable	:	31 May 2016

* *Special interim dividend through the distribution in specie of shares in China Overseas Property Holdings Limited*

Corporate Structure

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

PROPERTY DEVELOPMENT *

- Mainland China
- Hong Kong
- Macau

PLANNING AND CONSTRUCTION DESIGN

- Mainland China
- Hong Kong

PROPERTY MANAGEMENT *(Note)*

- Mainland China
- Hong Kong
- Macau

PROPERTY INVESTMENT

- Mainland China
- Hong Kong
- London

* *Property development in 49 major cities in mainland China, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Shenyang, Changchun, Changsha, Chengdu, Chongqing, Dalian, Foshan, Fuzhou, Haikou, Harbin, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Suzhou, Qingdao, Taiyuan, Tianjin, Urumqi, Weifang, Wuhan, Wuxi, Xi'an, Xiamen, Yantai, Zhengzhou, Zhongshan, Zhuhai, Zibo, Changzhou#, Guilin#, Ganzhou#, Jilin#, Hefei#, Hohhot#, Lanzhou#, Nanning#, Nantong#, Shantou#, Shaoxing#, Yancheng#, Yangzhou#, Yinchuan# as well as in Hong Kong and Macau.*

\# *The cities where China Overseas Grand Oceans Group Limited ("COGO") has operations; COGO also has projects in Beijing.*

Note: *Property management business has been spun-off and separate listed on 23 October 2015.*

Financial Highlights

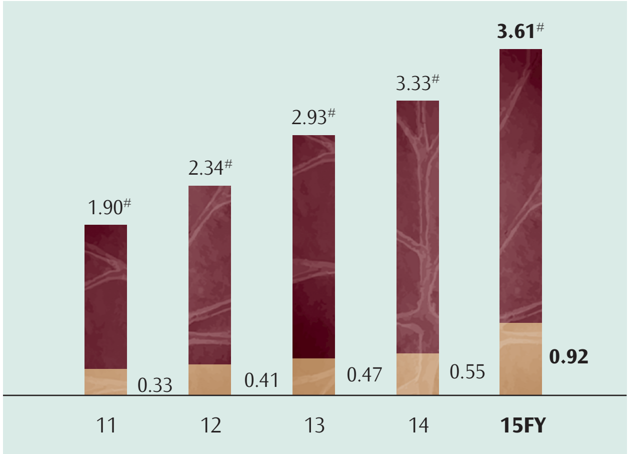
For the year ended 31 December	2015	2014	Change (%)
Financial Highlights *(HK$ billion)*			
Revenue	**148.07[4]**	138.51[4]	+7
Profit attributable to equity shareholders of the Company	**33.31[4]**	27.20[4]	+23
Property Sales[1]	**180.63**	140.81	+28
Financial Ratios			
Net debt to shareholders' funds (%)[3]	**7[4]**	28[4]	-21[2]
Interest cover *(times)*	**10[4]**	10[4]	–
Dividend payout *(%)*	**27[4]**	17[4]	+10[2]
Financial Information per Share *(HK$)*			
Earnings	**3.61[4]**	3.33[4]	+8
Dividends	**0.92**	0.55	+68
— Interim dividend	**0.20**	0.20	–
— Special interim dividend (distribution in specie of the COPL Shares)	**0.31**	–	+100
— Final dividend	**0.41**	0.35	+17
Shareholders' funds at book value[3]	**19.43[4]**	16.35[4]	+18
Land Reserves *(million sq m)*			
Development land bank[3]	**41.44**	37.35	+11

Notes:
1 *Including joint ventures and associates*
2 *Change in percentage points*
3 *These are year end figures*
4 *FY2015 figure and FY2014 restated figures were prepared using the principle of merger accounting*

Financial Highlights (continued)

EARNINGS AND DIVIDENDS PER SHARE

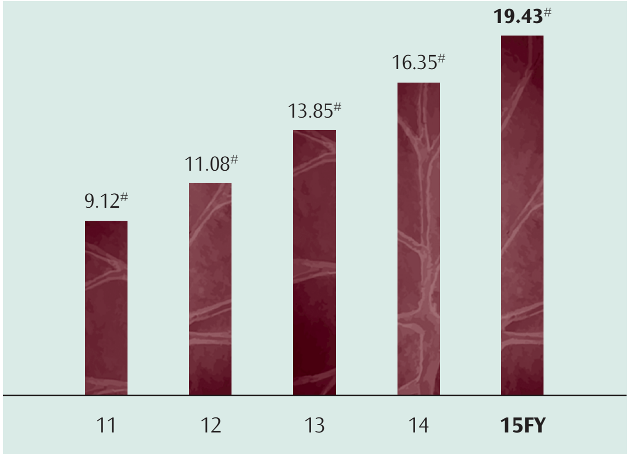
HK$



Earnings
Dividends

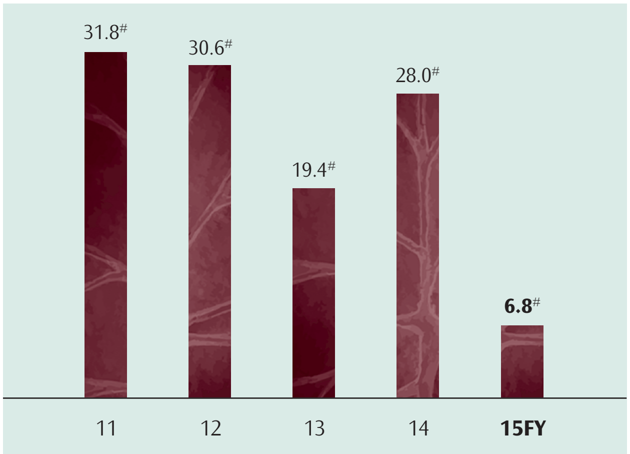
SHAREHOLDERS' FUND AT BOOK VALUE PER SHARE

HK$



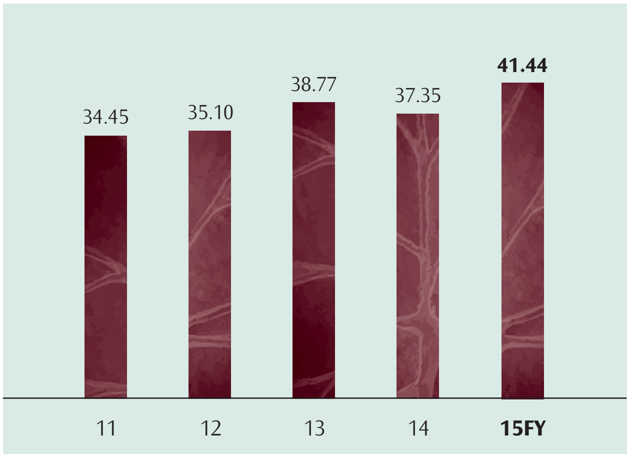
NET DEBT TO SHAREHOLDERS' FUNDS

%



LAND RESERVES

million sq m



15FY figures and 11FY to 14FY restated figures were prepared using the principles of merger accounting. For details of merger accounting policies, please refer to Note 3 of Notes to the Financial Statements.

Group Financial Summary

KEY FINANCIAL INFORMATION AND RATIOS

Financial Year	2011 HK$ (Restated)	2012 HK$ (Restated)	2013 HK$ (Restated)	2014 HK$ (Restated)	**2015 HK$**
Earnings per share	1.90	2.34	2.93	3.33	**3.61**
Dividends per share	0.33	0.41	0.47	0.55	**0.92**
— Interim dividend	0.13	0.15	0.18	0.20	**0.20**
— Special interim dividend	–	0.02	–	–	**0.31***
— Final dividend	0.20	0.24	0.29	0.35	**0.41**
Shareholders' funds at book value per share	9.12	11.08	13.85	16.35	**19.43**
Net debt to shareholders' funds (%) Net debt / Shareholders' funds	31.8	30.6	19.4	28.0	**6.8**
Interest cover (times) Operating profit – Total interest income / Interest expense**	14	13	11	10	**10**

KEY PROFIT AND LOSS ITEMS

For the year ended 31 December	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	2013 HK$'000 (Restated)	2014 HK$'000 (Restated)	**2015 HK$'000**
Revenue	57,106,273	68,092,642	92,382,943	138,505,187	**148,074,399**
Operating profit	23,354,732	27,356,443	29,574,815	43,607,001	**45,907,545**
Profit attributable to equity shareholders	15,551,916	19,125,056	23,926,122	27,200,018	**33,312,083**

KEY STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	2013 HK$'000 (Restated)	2014 HK$'000 (Restated)	**2015 HK$'000**
Fixed assets#	22,134,252	30,484,260	42,139,792	56,298,100	**65,280,056**
Long-term investments	17,167,731	18,894,707	16,509,061	16,972,641	**15,034,332**
Other non-current assets	12,873,207	7,873,458	5,627,153	5,234,860	**5,371,935**
Net current assets	68,165,656	106,539,709	129,882,990	142,573,986	**227,857,409**
Non-current liabilities	(45,130,847)	(72,903,025)	(78,303,569)	(82,522,784)	**(116,930,787)**
Net assets	75,209,999	90,889,109	115,855,427	138,556,803	**196,612,945**

* *Representing the distribution in specie of the COPL Shares.*

** *Before capitalisation and excluding interest on amounts due to non-controlling interests.*

Representing investment properties and property, plant and equipment.

2015 Business Milestones

11 JANUARY

La Cite was completed in the prime Shanghai district of Meilong, which enjoys convenient transportation and provides ample ancillary facilities including commercial, educational and medical resources. The project catered for homebuyers desiring a premium apartment. The project was well received by the market. During the year, 600 units were sold, for a total sales amount of RMB3.1 billion.

La Cite, Shanghai

15 APRIL

The Company received an "Outstanding Social Caring Organization Award" from Mastermind, a think tank under the Business School of The Chinese University of Hong Kong, and Hong Kong Economic Times, in recognition of the Company's care for its staff, support for environmental protection, practice of public welfare through its products and services, and promotion of sustainable economic, social and environmental development. In September, "China Overseas Property" was once again acknowledged as one of the "Leading Brands of China Real Estate Companies" and ranked first in the property sector with a brand value RMB39.76 billion.

7 MAY

The Company completed the acquisition of a significant China property portfolio and three investment properties in London from the controlling shareholder, China State Construction Engineering Corporation Limited ("CSCECL"). And the issue of Company's shares to China Overseas Holdings Limited was also completed on 18 May 2015. This exercise reinforced the Company's position as the primary listed platform of CSCECL for its property development business; resolved the competition with the Company in the China, Hong Kong, Macau and London property business in an effective way; enlarged the scale of operation of the Group; and strengthened the capital base and the financial position of the Company. These factors all reinforce the leading status of the Company in the China property market.

Glorious City Phase 2, Shenzhen

23 MAY

The 719 units of Glorious City Phase 2 in Shenzhen were placed on the market and attracted over 4,000 potential buyers. The units were sold in two hours, with sales exceeding RMB2.8 billion, hitting a record high for a launch of a single project since the establishment of the Shenzhen Company, and establishing its position as a leading player in the market.

2015 Business Milestones (continued)

Unipark Shopping Mall, Nanjing

30 MAY

Riding on the success of Jinan Unipark and Shenyang Unipark, the Group's third shopping mall, Nanjing Unipark, commenced operation. With a site area of 33,000 sq m and leasable area of about 140,000 sq m, including 100,000 sq m of shopping malls and 40,000 sq m of Grade A office building, the project is located on a prime site in Gulou District, Nanjing. With slow fashion as its theme, the project has established itself as a complete destination, providing retail, dining, culture, entertainment and daily necessity facilities near the heart of the city. On 29 April, Jinan Unipark Shopping Mall, which has been in operation for two years, was recognised by the International Council of Shopping Centers "ICSC China Shopping Center Awards 2015", winning silver in the New Developments category, in appreciation of its innovative design and development of world-class real estate projects, highlighting the prominence of the Unipark brand in the industry.

7 JULY

China Overseas Tingkou Hope School, the 10th Hope School donated by the Group which located in Tingkou Town, Qixia City, Yantai City, Shandong Province, was officially completed and delivered. With a total gross floor area ("GFA") of 3,387 sq m, the school can accommodate 600 primary students in 15 classes. The school serves to improve local education conditions and promote the development of basic education.

15 JULY

The Group succeeded in issuing a 600-million-euro bond with a four-year term at a coupon rate of 1.75%. Enthusiastically subscribed by international investors, it was the first time a Chinese property developer had issued a corporate Eurobond, showing the capital market's confidence in the long-term sustainable development capability of the Group. In November, the Group issued 400-million-euro bond with a four-year term at a coupon rate of 1.70% through private placement.

1 AUGUST

Supported by China Overseas Property Club, the major youth cultural exchange activity "Cheers Mate! China Overseas Summer Camp for Mainland & Hong Kong Youth 2015" was held successfully from 1 to 5 August. With "Little Dreamers" as its main theme, sessions including "Children's Idea," "Children's Creation," "Children's Dream" and "Children's Game" were designed to help children with different capabilities and backgrounds develop an awareness of social equality and sharing through activities such as ice-breaking games, creative painting, musical instrument making, playwriting and activity sharing.

China Overseas Property Club organised "Cheers Mate! China Overseas summer camp for Mainland & Hong Kong Youth 2015"

The opening of China Overseas Tingkou Hope School

2015 Business Milestones (continued)

19 SEPTEMBER

One Blossom Cove, the iconic integrated project in Guangzhou's old city district, is the property and commercial centre at Guanggang Xincheng, situated at the intersection of two subway lines, comprising residential buildings, apartments and commercial buildings. The project launch on 19 September was attended by 1,500 people and secured sales of RMB1.2 billion on the first day, the most for any project launch in Guangzhou in the last two years.

One Blossom Cove, Guangzhou

15 OCTOBER

A leasing campaign was launched at Foshan Unipark, with more than 200 domestic and overseas merchants and representatives in attendance. The Group's fourth shopping mall, Foshan Unipark and Uni Square feature a stylish landscape design, including the Unipark Shopping Mall with a leasable area of 100,000 sq m and the Uni Square Commercial Street with a leasable area of 26,000 sq m, both scheduled to commence operation in September 2016. The overall performance of the diversified business portfolio and quality operation secured fourth place for China Overseas Commercial Properties on the "2015 Best 10 of China Commercial Real Estate Developers Brand Value" ranking in September, a new high.

Unipark Shopping Mall, Foshan

23 OCTOBER

The Group has moved forward with the consolidation of its property management business, with China Overseas Property Holdings Limited ("COPL") as the core. COPL was successfully listed on the Main Board of the The Stock Exchange of Hong Kong Limited ("HKEx") (Stock Code: 2669), through distribution in specie and by way of introduction, achieving the Group's goal within a short period of time. COPL started its business in Hong Kong in 1986 and entered the Mainland China market in 1992. After nearly 30 years of development, COPL has completed its strategic design in Hong Kong, Macau and 50 Mainland China cities, with a range of services encompassing residential property management, commercial property management and public property management. COPL has won numerous awards and is known as "China's No. 1 Butler" in the Mainland China property management industry.

19 NOVEMBER

The Group successfully issued a domestic RMB8 billion bond with two maturity profiles: RMB7 billion with a six-year term at a coupon rate of 3.40% (with terms of adjustment of the interest rate and sell back option at the end of third year) and RMB1 billion with a seven-year term at a coupon rate of 3.85% (with terms of adjustment of the interest rate and sell back option at the end of fifth year). The issuance of RMB bonds and Eurobonds highlights the strength in breadth of the Group's financing channels.

China Overseas Building, Beijing

Chairman's Statement

Chairman's Statement

I have pleasure to report to the shareholders that:

The audited profit attributable to equity shareholders of the Company for the year ended 31 December 2015 increased by 22.5% to HK$33.31 billion. Basic earnings per share were HK$3.61, an increase of 8.4%. Total shareholders' funds increased by 43.3% to HK$191.56 billion. Net assets per share were HK$19.4, an increase of 18.3% on 2014, and average return on shareholders' funds reached 20.5%. The Board recommends the payment of a final dividend of HK41 cents per share for year 2015.

Hao Jian Min
Chairman and Chief Executive Officer

Despite the impact of the global financial crisis and administrative tightening in the China property sector in the past few years, the Group has overcome obstacles, maintained sustainable development and exceeded operational targets. The coming year, 2016, is expected to be complex and changeable, based on the global political and economic environment. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success."（慎微篤行，精築致遠）. The Group will continue to enhance its competitiveness in the industry through its consistent innovation. The Group is confident that it can maintain its leadership position in the China property industry and achieve steady, high-quality balanced growth.

1. BUSINESS REVIEW

In 2015, the global economic picture was mixed. Development in the United States was relatively satisfactory, with firm improvement in employment, while significant drops in commodity prices and a strong dollar coupled with interest rate rises in December led to clear signs of capital outflows from emerging markets, increasing the downside risks of both economic development and currency. Economic development in the Eurozone and Japan was weak. There was slight improvement with the implementation of more easing measures; geopolitical problems in the Middle East, Europe and Asia roiled global financial markets.

Against this background of sluggish economic growth globally, the Chinese Central Government promulgated a number of measures designed to stabilise growth, including increased investment in infrastructure and a moderate easing of monetary policies to improve liquidity, with several reductions in the required reserve ratio and lending rate from November 2014. China's foreign trade showed no sign of significant improvement, while the CPI and PPI continued to drop. Weak momentum in the economy resulted in an annual economic growth rate of 6.9%, still meeting the target of about 7.0%. The global economic slowdown meant there was only mild economic growth in Hong Kong and Macau.

As China's economic growth slowed, the Central Government relied increasingly on the property sector to promote economic development. Since 2014, tightening measures in the property sector have gradually been relaxed. Other than in the four tier-one cities, policy now generally supports the sector. Furthermore, policies on buying homes and arranging mortgages have been relaxed. All these combined to result in notable improvements in sales prices and trading volumes that facilitated inventory clearance. All in all, the property market in China was much stronger than in 2014.

Chairman's Statement (continued)

In an improving market environment, the Group achieved satisfactory growth in its sales and profits in 2015. Revenue increased by about 6.9% to HK$148.07 billion. The profit attributable to the equity shareholders of the Company increased by 22.5% to HK$33.31 billion, and the net profit, after deducting HK$5.75 billion in profit after tax related to the change in the fair value of the investment property portfolio, was amounting to HK$27.56 billion. It is encouraging to note that, in a complicated and fast-changing market environment and with the scale of our operations rapidly expanding, the average return on shareholders' funds for 2015 still reached 20.5%.

Property Development

In 2015, as a result of accurate assessment of market changes, strategic and innovative sales and marketing measures as well as leveraging the branding advantage of China Overseas Property, the target for contracted property sales, which was adjusted upwards to HK$180 billion in the middle of the year, was exceeded, setting another record high. Total property sales (including sales by joint ventures and associates) amounted to HK$180.63 billion, while the corresponding area sold was 12.60 million sq m.

The revenue of the Group increased by 6.9% to HK$148.07 billion. During the year, property business (including by joint ventures) with total gross floor area ("GFA") of about 12.57 million sq m was completed. The sales value of these projects, recognised as the Group's revenue in 2015, amounted to HK$114.29 billion. Furthermore, sales of properties of the Group completed by the end of 2014 increased substantially, with about 1.44 million sq m sold for approximately HK$29.40 billion. Hence, the revenue for property development increased by 7.2% to HK$143.69 billion. Mainly due to the increase in revenue, and the fact that the gross profit margin for property development projects held steady at a satisfactory and market-leading level, the operating profit generated by property development increased by 2.6% to HK$37.22 billion.

Investment Properties

The China Overseas Building in Wuhan, China Overseas Plaza Tower in Zhuhai, and China Overseas Building in Nanjing, were completed during the year along with other smaller investment projects, while the assets injection by the parent company brought in few investment properties, together adding about 590,000 sq m of completed investment properties to the Group, for a total of 1.73 million sq m in the mainland, Hong Kong, Macau and London as at the end of 2015. The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK$1.92 billion, representing a year-on-year increase of 16.6%; profit for the segment amounted to HK$8.97 billion, which included an increase in the fair value of investment properties amounting to HK$7.45 billion (net fair value gain after deferred tax is HK$5.75 billion).

Assets Injection by Parent Company

After 21 months of diligent work, on 7 May 2015 the Company completed the acquisition of the Acquired Group (consisting of companies holding the China property portfolio and the three investment properties in London) from the controlling shareholder, China State Construction Engineering Corporation Limited ("CSCECL") (the "Assets

61 Aldwych, London

Chairman's Statement (continued)

Acquisition"). Meanwhile, the issue of Company's shares to China Overseas Holdings Limited (the "Shares Issue") was completed on 18 May 2015. This exercise reinforces the Company's position as the primary listed platform of CSCECL for its property development business, resolves the competition with the Company in the China, Hong Kong, Macau and London property business in an effective way, enlarges the scale of operation of the Group, and strengthens the capital base and the financial position of the Company. All these factors are favourable to reinforce the leading status of the Company in the China property market. Please refer to the announcements made by the Company on 24 March 2015 and on 18 May 2015 for details of the Assets Acquisition and the Shares Issue.

Spin-off of Property Management Business

On 18 May 2015, the Company made an announcement disclosing its intention to proceed with the spin-off and separate listing of its property management business by means of distribution in specie by the Company of the shares of the spun-off entity to the shareholders of the Company, as a special interim dividend. The shares of China Overseas Property Holdings Limited ("COPL") were finally listed on 23 October 2015. The Board believes that the separate listing is beneficial to the development of its property management business and also facilitates the unlocking of the potential value of the assets in the Group.

Land Reserve

During the year, the Group continued to follow the land market closely and make considered decisions on land acquisitions. In response to property market changes and taking into account that about 10 million sq m of land resources were added during the assets injection exercise by the parent company, it began to slow the pace of replenishing its land reserve. A total of 17 parcels of land were acquired by the Group (excluding China Overseas Grand Oceans Group Limited, "COGO") in 13 cities in mainland China, including Haikou, which is a new location for the Group. These land parcels provided a total GFA of 5.96 million sq m, with interest attributable to the Group of 5.91 million sq m.

In 2015, COGO acquired four land parcels in three mainland cities, and added GFA of 1.65 million sq m to its land reserve.

As at 31 December 2015, the Group had a total land reserve of about 41.44 million sq m (interest attributable to the Group of about 38.50 million sq m) in 32 mainland cities, Hong Kong and Macau; COGO had a total land reserve of 10.93 million sq m (attributable interest of 10.24 million sq m).

Group Finance

Adhering to prudent financial management, the Group continued to enhance financial resources and optimise its debt structure. Leveraging its leading position in the property market and good credit, the Group successfully launched several major offshore and onshore fundraising exercises during the year. A total of 1 billion euros was raised through two bond issuances in July and November. In a first for the Group, RMB8 billion in domestic bonds was issued in November. The Group also arranged RMB8.45 billion banking facilities in mainland China in 2015. The Group drew down HK$44 billion banking facilities in 2015. After deducting the repayment of matured bank loans due, the net amount available for operations for the year was HK$19 billion. Cash inflow from sales of about HK$138.52 billion was recorded for the year; and together with the net amount raised by financing and the net cash inflow of HK$1.24 billion from joint ventures, the Group had sufficient funds to meet its payment requirements. The major expenditures of the Group for 2015 were HK$24.67 billion for land premiums, HK$52.28 billion for construction costs, and HK$35.21 billion for tax, sales and distribution, administrative and finance expenses.

As at the end of the year, outstanding loans and notes payable by the Group were about HK$49.26 billion (loans denominated in RMB amounted to RMB12.40 billion) and about HK$66.20 billion (including US$6.25 billion, EUR1 billion and RMB8 billion) respectively; cash on hand amounted to approximately HK$102.45 billion (not including cash held by joint ventures, amounting to approximately HK$5.85 billion); and the net gearing of the Group had decreased significantly from 28.0% at the end of 2014 to a very low level of about 6.8%. The shareholders' funds of the Company increased from HK$133.67 billion at the end of the previous year to HK$191.56 billion. Hence, the Group's financial strength is significantly improved.

Chairman's Statement (continued)

In 2015, the Group's investment ranking was affirmed by Moody's and Standard & Poor's at Baa1/Stable and BBB+/Stable respectively. In December, Fitch Ratings upgraded the Group's investment ranking to A-/Stable, reflecting the capital market's recognition of the Group in terms of its leadership in China's property market and financial soundness.

Human Resources

The Group continues to expand its operations and enter new cities. Talent at all levels is always in great demand. Staff recruited through the "Sons of the Sea" and "Sea's Recruits" schemes have become an important element in supporting the Group's sustainable and stable development.

Corporate Governance

The Board firmly believes that its prime duty is to protect and best utilise resources in the Group to enhance value for shareholders. A high standard of corporate governance is key to improving corporate profit and facilitating sustainable development. Thus, the Group strives to improve corporate governance standards to ensure efficient operation of the Group's businesses and safeguard its assets and shareholders' interests. Over the years, the Group has consistently enhanced corporate transparency and strengthened the Group's internal controls and risk management.

Corporate Social Responsibility

The Group is committed to exercising corporate social responsibility and seeks to promote social value and harmony as a good corporate citizen. The Group has established a well-regulated, formal and branded system to discharge its social responsibilities, especially in the areas of poverty alleviation, disaster relief work, educational subventions, charitable donations and community services.

The third corporate social responsibility report, focusing on the efforts and achievements of the Group in this respect, was published during the year. The Company is again a constituent stock of the Hang Seng Corporate Sustainability Index. This reflects market recognition of the Group's efforts in corporate sustainability (including environmental protection, social responsibility and corporate governance).

Awards

The Company was rated number one among "The Top 50 China Real Estate Enterprises by Brand Value". China Overseas Property ("中海地產") was acknowledged among the "Leading Brands of China Real Estate Companies" for the twelfth consecutive year, ranking first in the property sector with a brand value of RMB39.76 billion. For 12 years in a row, leveraging its excellent performance, the Company has been voted the number one "China Blue Chip Real Estate" developer. In 2015, China Overseas Property projects, are as usual, well recognised for their excellence in quality, design and management on many occasions.

"Young Eagles" training programme simulates military training for staff's personal betterment

Chairman's Statement (continued)

2. PROSPECTS

Macroeconomy

It is expected that the global economy will remain complicated and fast changing amid sluggish growth in 2016. Concerns over the sustainability of the strong US dollar and the scale and timing of interest rate hikes as well as the further slowdown of the economic growth in China will intensify volatility in global financial markets, while the threat of asset bubbles in emerging markets remains as a result of persistent funds outflows. For most enterprises, 2016 will remain challenging. The Group will watch closely for risks and opportunities triggered by any changes in the international economic environment, and will implement appropriate response measures in a timely and effective manner.

The Chinese government is expected to adopt a prudent financial policy and to further ease monetary policy, with measures such as moving to a lower lending rate and required reserve ratio, in order to improve liquidity, reduce corporate finance costs and promote growth in the real economy.

Business Development

In an improving market environment, the Group achieved an outstanding performance in 2015, amply demonstrating its excellent operational capabilities and brand advantages. The Group is prudently optimistic about the mainland China property market in 2016. It is expected that property liquidity will improve, as more policy support from the government is forthcoming. The China property market is expected to remain stable in 2016 while market consolidation will accelerate, and the sector overall presents both challenges and opportunities. The Group will take full advantage of its sound financial structure and diverse financing channels to actively increase financial resources and proactively seize investment opportunities, including through the acquisition of prime land parcels through various channels. While maintaining suitable precautions against risk, the Group will actively seek market opportunities to ensure sustainable growth, increase its market share and consolidate its leading status in the property industry.

It is expected that normal adjustment will be seen in the Hong Kong and Macau property market. The Group will still seek appropriate opportunities to expand its business in Hong Kong and Macau.

Operational Philosophy

The Group holds to its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" (慎微篤行，精築致遠). It strictly adheres to its undertakings, conducts business with complete integrity, and seeks progress amid stability (穩中求進). The Group firmly follows the operating philosophy of "A Trusted Brand Growing through Diligence and Care" (精耕細作，品牌經營) in order to reinforce the elite image of China Overseas Property products in the middle to high-end segment. The Group tries its utmost to ensure that each project stands out and sets the benchmark for high-end products in its vicinity. The brand reflects the culture of an organisation, and in the case of the Company, this includes the pursuit of high-quality products by China Overseas Property. Enhancement of product quality and branding can effectively mitigate the pressure on lowering home selling prices, and reduce marketing costs. By operating under such a highly regarded brand, the Group can earn higher profits than its peers, which facilitates the Group's pursuit of its long-term goal of becoming an evergreen enterprise.

Sustainable Project Development

The Group will closely monitor the market and appropriately control the pace of its project development and sales. By leveraging its brand name, backed by innovative marketing and sales operations, the Group can improve its sales results and cash flow, and maximise the return on its assets. It is expected that the various metrics of operation in 2016 will record satisfactory growth. Taking into consideration the fact that at this moment it is not appropriate to state the impact of the lately announced Citic Property Merger & Acquisition exercise on the Group's operation in 2016, it is not appropriate to give concrete metrics of operation in 2016. Even without taken into consideration the impact of the Citic Property Merger & Acquisition exercise, the Group still will try best to achieve contracted sales amount (include joint ventures and COGO) of not less than HK$180 billion in 2016.

Chairman's Statement (continued)

Better Business Structure

The Group will continue to operate a business structure with residential development as the main element, and commercial property development in a supplemental role. It will balance the allocation of resources for long-term and short-term investment, and gradually increase its weighting on investment property in order to obtain stable long-term returns and enhance its capability to balance market risk. In the long term, the Group will work towards securing 20% of total profits from investment property. Currently, the total area of commercial property under development or yet to be developed by the Group amounts to about 3.80 million sq m. Over 50% of this area will be completed by the end of 2017.

Land Replenishment

The Group will calmly meet the challenges ahead. Taking into account its financial situation, the Group will maintain an appropriate scale of investment and will seize opportunities arising from market adjustments to replenish its prime land reserve, to resolutely execute its prudent land policies.

During the first two months of 2016, the Group acquired one parcel of land in Jinan and one parcel of land in Hong Kong (with a total GFA of 1.58 million sq m). COGO did not acquire any land parcels.

Multi-Growth Models

The Group will strive to expedite its development and expand its development scale through joint ventures and mergers and acquisitions. At the end of 2015, the amount invested by the Group in the joint ventures reduced further to HK$14.52 billion. The profit contribution from joint ventures in 2015 was HK$630 million. COGO is an associate of the Group that focuses on property business in third-tier mainland cities. In 2015, COGO recorded sales of HK$22.0 billion, revenue of HK$16.61 billion, and a net profit of HK$920 million. The Group earned a net profit of about HK$320 million from COGO.

Under the backdrop of accelerated consolidation for the China property market, the Company seized a good opportunity and on 14 March 2016 executed the sale and purchase agreement for the acquisition of the residential-focused property development projects from CITIC Limited ("the Citic Property Merger & Acquisition"). The Board believes that the completion of the deal is beneficial to the sustained business development of the Group in future, will enhance the financial strength of the Company and increase substantially the land reserve of the Group in one shot. The deal will also has material positive effects on achieving the various metrics of operations in the next few years and thus providing a solid foundation to maintaining steady growth during the "Thirteenth Five-year period".

Prudent Financial Management

The Group will continue to enhance its financial management capability, always adhere to prudent financial management, and stick firmly to the principle of "Cash is king. Receipts determine payments" (現金為王，以收定支). The Group will continue to explore new fundraising channels and make full use of its fundraising platforms onshore and offshore. To safeguard capacity, and hence ensure solid and plentiful funding for its business development, the Group will speed up asset turnover, improve its debt structure, and enhance its ability to protect its resources. Taking into consideration the weakened Renminbi, the Group will endeavour to improve the currency profile of its debt, mainly by rapidly increasing the proportion of Renminbi debt.

Business Prospects

The Board is confident regarding the Group's prospects and capabilities. Despite the impact of the global financial crisis and administrative tightening in the China property sector in the past few years, the Group has overcome obstacles, maintained sustainable development and exceeded operational targets. The coming year, 2016, is expected to be complex and changeable, based on the global political and economic environment. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." (慎微篤行，精築致遠) With its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness in the industry through its consistent innovation. The Group is confident that it can maintain its leadership position in the China property industry and achieve steady, high-quality balanced growth.

Chairman's Statement (continued)

Mission

The Group continues to endeavour to develop into an evergreen enterprise. The Group continues to adopt a human resource management approach that focuses on personal development, motivation for staff, and a good working atmosphere. The Group is committed to aligning individual success with the core values of the long-term development of the Group by maintaining integrity, creativity, pragmatism, and perfection. The ultimate goal is an outcome that is mutually beneficial for the Group, its shareholders, business associates, staff and the community.

APPRECIATION

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

By Order of the Board
China Overseas Land & Investment Limited
Hao Jian Min
Chairman and Chief Executive Officer

Hong Kong, 18 March 2016

Management Discussion and Analysis

Gate of Peace, Shenyang

Management Discussion and Analysis (continued)

OVERALL PERFORMANCE

Lane No. 9, Tianjin

Management Discussion and Analysis (continued)

OVERALL PERFORMANCE (CONTINUED)

IN 2015 THE GROUP HAD ANOTHER EXCELLENT YEAR

The Group's revenue amounted to HK$148.07 billion (2014: HK$138.51 billion), an increase of 6.9%. Operating profit was HK$45.91 billion (2014: HK$43.61 billion). Net profit attributable to shareholders amounted to HK$33.31 billion (2014: HK$27.20 billion), an increase of 22.5%. Basic earnings per share were HK$3.61 (2014: HK$3.33), an increase of 8.4%.

The equity attributable to shareholders of the Company at the end of 2015 increased by 43.3% to HK$191.56 billion (2014: HK$133.67 billion).

Management Discussion and Analysis (continued)

OVERALL PERFORMANCE (CONTINUED)

The performance of the Group in 2015 is satisfactory to the management. But the management would like to remind the shareholders of the Company that in evaluating the financial performance, the financial conditions and operation of 2015, due consideration should be made to the impact generated by the Assets Acquisition and Shares Issue. As the Group and the Acquired Group are under common control by CSCECL, the transfer of interest of the Acquired Group was considered as common control combinations. According to the accounting standards, the consolidated financial statements of the Group for the year ended 31 December 2015, together with the last year comparative figures, including the figures of the Acquired Group, were prepared as if they had been combined from the date when the Acquired Group first came under the control of the Group and CSCECL.

In 2015, the Group incurred exchange loss of HK$2.32 billion due to the devaluation of RMB, HK$1.16 billion was charged to consolidated income statement while HK$1.16 billion was capitalised to stock of properties. Such capitalised amount represented the interest rate differential between borrowing costs that would be incurred if the Group's subsidiaries had borrowed funds in their functional currencies. Taking into consideration the weakened Renminbi, the Group will endeavour to improve the currency profile of its debt, mainly by rapidly increasing the proportion of Renminbi debt.

On 23 October 2015, the entire issued share capital of COPL, the Company's wholly owned subsidiary, was spun-off via a distribution in specie by the Company, and since then COPL became a separate listed company on the Main Board of HKEx. The distribution resulted in a non-cash gain of HK$2.51 billion, representing the difference between the fair value and the net assets value of COPL. The Board believes that the separate listing is beneficial to the development of its property management business and also facilitates the unlocking of the potential value of the assets in the Group.

PROPERTY SALES

In an improving market environment, the Group achieved satisfactory growth in its sales and profits in 2015.

Revenue of property sales was HK$143.69 billion (2014: HK$134.02 billion), increasing by 7.2%. Revenue from property sales mainly related to property projects such as Residence Nine and Glorious City in Shenzhen, La Cite in Shanghai, International Community in Nanjing, La Cite and No. 1 Lake Lantern in Foshan, Metro Harbor in Beijing, The Phoenix in Suzhou and Manor No. 9 in Chengdu and some joint ventures' projects such as the One Tongzilin in Chengdu and the Lagoon in Suzhou.

Profit from property sales (including the Group's share of profits of associates and joint ventures) amounted to HK$38.20 billion (2014: HK$37.54 billion), showing an increase of 1.8%.

PROPERTY RENTAL

Revenue from property rental of the Group for the year amounted to HK$1.92 billion (2014: HK$1.64 billion), an increase of 16.6%. The rise in rental income was mainly due to higher market rent and occupancy rate. Segment results amounted to HK$8.97 billion which include an increase in the fair value of investment properties amounting to HK$7.45 billion (net fair value gain after deferred tax is HK$5.75 billion).

OTHER OPERATIONS

Revenue from other operations amounted to HK$2.46 billion (2014: HK$2.84 billion), a decrease of 13.2%, mainly derived from property management and Hua Yi design businesses.

Up to the period before the spin-off of COPL, revenue from property management amounted to HK$1.78 billion. The Group is dedicated to offer the finest service to its residents and tenants.

Revenue from Hua Yi design business amounted to HK$390 million (2014: HK$300 million), an increase of 30.0%.

Management Discussion and Analysis (continued)

OVERALL PERFORMANCE (CONTINUED)

CONCLUSION

In general, the market conditions in 2015 were more favorable than in 2014, reflected by a rise in both the transaction volume and property prices as the government eased its tightening measures vigorously while creating a supportive policy environment with multiple initiatives. The Group achieved a satisfactory performance during the year and reported a record-high contracted sales amounted to HK$180.63 billion with a mid-year upward adjustment of its annual sales target; revenue amounted to HK$148.07 billion, representing a rise of 6.9%; profit attributable to shareholders increased 22.5% to HK$33.31 billion, while average return on shareholders' fund reached 20.5%.

Since 2004, the implementation of macro-control measures by the Chinese government has steered the real estate sector towards a long-term, stable and healthy development direction. On one hand, real estate speculation has generally been curbed, resulting in an end-user oriented market; on the other hand, every sessions in the industry from land acquisition, construction application, construction, sales to construction completion and occupancy has become more regulated. As a result, professional property developers with outstanding operational and financial management capabilities such as the Group are more advantaged to pursue long-term development, thereby accelerating market consolidation which only the strongest players can survive.

Jianguo Road East, Huangpu district, Shanghai

Property development is a capital-intensive business of a cyclical nature, with the biggest risk posed by liquidity crunch. With a sustained effort to improve asset turnover and cash collection, coupled with a dedication to prudent financial management, high cash reserve and low leverage ratio as well as adhering to a quality-oriented land policy, the Group has responded to major risks underlying the industry in an effective manner.

Amid regulation by the Central Government on the property sector, slowdown of mainland China's economic growth, and with the net profit of the Group has long been exceeding HK$10 billion, the revenue growth, growth rate per annum for the net profit attributable to shareholders and average annual return on shareholders' equity for 2015 were 6.9%, 22.5% and 20.5% respectively. The performance of these key performance indicators convincingly proved the accomplishment of the Group's strategic and operational targets, and that the risks of the industry were under proper control.

The success achieved by the Group in the previous decade is depended on its dedication to and expertise in the property market. With a committed focus on the mainland China's property development business, the Group will continue to enforce and optimize its nationwide strategic layout of market coverage, providing differentiated premium units with excellent value for money in prime locations of fast growing cities. The Board is confident that the Citic Property Merger and Acquisition exercise will be completed smoothly. This is beneficial to the sustained development of the business and will strengthen the leading status of the Group in the China property sector. By pursuing constant innovation, the Group endeavors to enhance its unique competitive advantages in the industry and achieve steady, quality and balanced growth, paving the way for a perennial company that lasts for a century and beyond.

Management Discussion and Analysis (continued)

LAND RESERVES

The New Times, Xi'an

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

Annual Summary

- Approximately 10 million sq m of land was acquired by the Group as a result of the completion of asset injection by the parent company;
- 17 parcels of land were acquired by the Group in 13 mainland cities, providing a total GFA of 5.96 million sq m (attributable interest of 5.91 million sq m);
- 1.65 million sq m of land reserves were acquired by the Group's associate, COGO, in three third-tier mainland cities; and
- At the end of 2015, total GFA of the land reserve owned by the Group amounted to 41.44 million sq m (attributable interest of 38.50 million sq m); COGO had total land reserves of 10.93 million sq m (attributable interest of 10.24 million sq m).

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

As project construction costs are relatively controllable, land costs are a decisive factor in the overall development costs of a project. The products of a project, and eventually the selling price and the gross profit, are largely determined by the quality of the land site on which it is developed. The Group believes that setting an appropriate land investment strategy is the key to the success of a property developer. The Group centralises decisions regarding land acquisition, which are made by senior management. Property development is a capital-intensive business of a cyclical nature, subject further to the impact of government policies from time to time in the case of mainland China. In recent years, there has generally been a requirement to make full payment of land premiums within a short period. Taking all these factors into account, the Group attaches greater importance to the quality than the quantity of land acquired, as any locking up of substantial funds in land reserves could result in a significant financial burden that restricts opportunities to acquire high quality land when the market goes down. Therefore, the Group adheres to a prudent land policy and generally maintains prime land reserves that are sufficient to meet its property development requirements for four to five years.

Details of Assets Injection from Parent Company

City	Total GFA ('000 sq m)
Development properties	
Changsha	573
Suzhou	30
Shanghai	459
Zibo	1,009
Beijing	1,023
Tianjin	280
Weifang	2,325
Chengdu	386
Xi'an	750
Chongqing	2,316
Urumqi	1,620
Sub-total	10,771
Investment properties	
Beijing	2
Shanghai	96
London	48
Sub-total	146
Grand total	10,917

The Group strives to maintain an appropriate level of investment and to seize opportunities to replenish its prime land reserves through various means and channels, taking into consideration of the economic environment, trends in the property market, funding capabilities, the financial resources on hand, the land bank on hand, and the quality and costs of new land parcels. With solid financial strength and consistently prudent financial management, the Group is always financially ready to acquire quality land sites when the opportunity arises. Indeed, this is one of the Group's key competitive advantages. We generally commit more financial resources to cities where we have reported outstanding sales, to ensure sustainable growth and maintain market leadership in those markets. Whenever the Group establishes a presence in a city, it will strive to first become one of the top five and eventually one of the top three players in that city. As at the end of 2015, the Group ranked among the top five property developers in 11 cities, including Suzhou, Shenyang, Jinan and Changchun in terms of sales amount. At the same time, the Group also endeavours to develop a comprehensive nationwide network, to avoid overconcentration of resources in a certain city or region, with a view to balancing risks arising from economic and market volatility.

During the year, the Group acquired 17 parcels of land in 13 mainland China cities — Beijing, Guangzhou, Nanchang, Qingdao, Jinan, Nanjing, Harbin, Haikou, Shenzhen, Foshan, Chengdu, Xiamen and Suzhou, for a total consideration of approximately HK$43.0 billion, providing an additional GFA of 5.96 million sq m (attributable interest of 5.91 million sq m). For the first time, the Group did not accomplish its target to acquire 10 million sq m of land formulated at the beginning of the year. This was mainly due to three factors: a relatively stagnant land market resulting from liquidity tensions faced by property developers; the acquisition of a total of 10 million sq m of land,

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

through assets injection by the parent company; and the Group's search for merger and acquisition opportunities during the recent period of accelerated market consolidation. As such, the Group adopted a more selective approach when acquiring land, despite having an abundant capital supply. After almost two years of acquiring no new land, given the challenging business conditions in third-tier cities in China, COGO eventually acquired four parcels of land in November and December 2015, providing a new GFA of 1.65 million sq m in total.

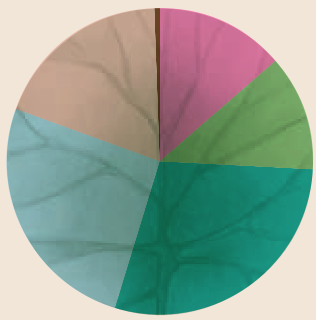
At the end of 2015, the Group had a total land reserve of approximately 41.44 million sq m (an attributable interest of 38.50 million sq m) in 32 mainland China cities and in Hong Kong and Macau. The Group's land reserves were relatively evenly distributed among Hua Bei region (28.7%), Northern region (25.7%), Western region (19.1%), Hua Nan region (13.9%) and Hua Dong region (12.3%). Land reserves held by the Group in the four first-tier mainland cities accounted for only 11.1% of its total land reserves, a situation not expected to change significantly in the foreseeable future. Land resources in first-tier cities are scarce and highly expensive, intensely sought after whenever available. While the Group will not engage in blind pursuit of land in first-tier cities, it will nevertheless seek to proactively acquire more land parcels in innovative ways in order to maintain its market share in these cities. One highly successful case was the 1.41 million sq m of land acquired by participating in the shantytown renovation project in Shijingshan District of Beijing. The Group believes it can manage to carry forward sustained development in first-tier cities with satisfactory results, while certain second-tier prime cities, such as Foshan, Suzhou, Jinan and Shenyang, will be a major source of profits.

The Group's small land reserves in Hong Kong and Macau (130,000 sq m representing 0.3% of total land reserves), typically of high quality are expected to provide overall satisfactory returns to the Group.

In the first two months of 2016, the Group acquired one parcel of land in Jinan and one parcel of land in Hong Kong, with a total GFA of 1.58 million sq m, while COGO did not acquire any land parcels. The successful completion of the Citic Property Merger & Acquisition exercise, as disclosed in the Company's announcement dated 14 March 2016, will bring in 24 million sq m of land. The Group will appropriately adjust the pace of its land acquisition in 2016.

BREAKDOWN OF LAND RESERVES BY REGION

million sq m



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

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

Land Parcels added in 2015

Project name		Land Area ('000 sq m)	Total GFA ('000 sq m)
Hua Nan Region			
Xiamen	Tong'an District Project	44	150
Guangzhou	Liwan District Project	7	26
Shenzhen	Luohu District Ludancun Project #1	47	256
Foshan	Nanhai District Project	67	171
Foshan	Chancheng District Project	91	300
Haikou	Longhua District Project	93	306
Sub-total		349	1,209
Hua Dong Region			
Nanjing	Xuanwu District Project	119	344
Nanjing	Gulou District Project	33	112
Nanchang	Qingshanhu District Project	21	64
Suzhou	Xiangcheng District Project	93	347
Sub-total		266	867
Hua Bei Region			
Jinan	Licheng District Huashan Project	431	1,475
Beijing	Shijingshan District Project #2	290	1,414
Sub-total		721	2,889
Northern Region			
Qingdao	Binhai New District Hai'an Project	71	266
Harbin	Qunli New District Project	85	244
Harbin	Nangang District Project	75	326
Sub-total		231	836
Western Region			
Chengdu	Wuhou District Project	21	84
Chengdu	Wuhou District Project	19	76
Sub-total		40	160
		1,607	5,961

#1 This project requires the Group to build relocation housing with a GFA of 144,051 sq m.

#2 GFA of relocation housing and/or other expense to be confirmed.

Total Land Reserves

	City	GFA ('000 sq m)
Hua Nan Region	Shenzhen	481
	Haikou	306
	Foshan	1,154
	Guangzhou	1,358
	Changsha	504
	Xiamen	150
	Fuzhou	730
	Zhuhai	1,084
	Sub-total	5,767
Hua Dong Region	Suzhou	1,022
	Nanjing	1,051
	Ningbo	629
	Hangzhou	999
	Nanchang	63
	Shanghai	347
	Wuxi	999
	Sub-total	5,110
Hua Bei Region	Beijing	2,431
	Tianjin	1,110
	Jinan, Zibo	4,917
	Zhengzhou	168
	Taiyuan	1,108
	Weifang	2,141
	Sub-total	11,875
Northern Region	Changchun	1,470
	Qingdao	1,622
	Dalian	158
	Shenyang	4,754
	Yantai	1,197
	Harbin	1,434
	Sub-total	10,635
Western Region	Chengdu	461
	Xi'an	1,079
	Chongqing	3,903
	Kunming	869
	Urumqi	1,614
	Sub-total	7,926
Hong Kong & Macau	Hong Kong	108
	Macau	21
	Sub-total	129
	Total	41,442

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

LAND RESERVES OF THE GROUP

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT

No. 8 The Milestone, Tianjin

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Annual Summary

- Projects (including joint ventures) with GFA of about 12.57 million sq m were completed;
- Revenue amounted to HK$143.69 billion, comprising sales value amounting to HK$114.29 billion from projects completed in 2015 and HK$29.40 billion from projects completed in previous years;
- A total of 12.60 million sq m of property (including joint ventures and associates) was sold, raising HK$180.63 billion;
- At the end of the year, the unrecognised contracted sales (including joint ventures) amounted to HK$86.20 billion;
- Gross profit margin for property development projects remained at a satisfactory level; operating profit was increased by 2.6% to HK$37.22 billion;
- Increased effort towards collecting sales proceeds resulted in the collection of HK$148.66 billion from buyers (including joint ventures) during the year. As at the end of 2015, pre-sales deposits received (including joint ventures) amounted to HK$52.70 billion.

Management Discussion and Analysis (continued)

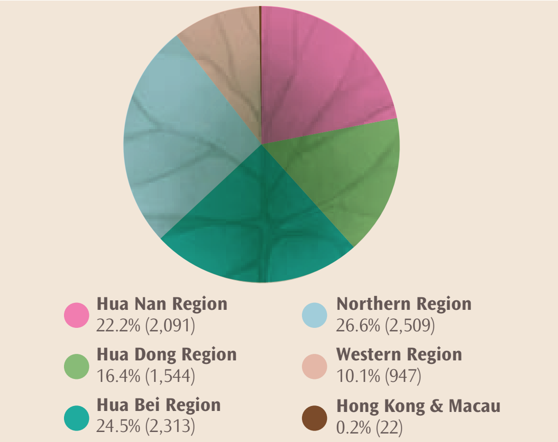
PROPERTY DEVELOPMENT (CONTINUED)

In spite of the slowdown in mainland China's economic growth in recent years, domestic demand for property has remained robust as a result of rising income levels and ongoing urbanisation. As such, the Group remains confident of the long-term development of mainland China's property market. Overall sentiment in the property market has improved as the incumbent government has gradually eased its tightening policies as a substitute for policy stimulation, representing a more market-oriented approach to its regulation of the property market, thereby ensuring its long-term and healthy development. On the other hand, after more than a decade of rapid growth, it is unsurprising that the domestic property market is growing at a slower pace while the Chinese economy as a whole is slowing. Following this market consolidation, property developers with outstanding operational and financial capability will be in a strong position to build market share. During the first half of the year, the policy of monetary easing continued as mainland China's economy slowed further, while the Central Government rolled out a series of measures to improve liquidity, including reductions in the required reserve ratio and interest rates. Various supportive measures targeting the property industry, including the simultaneous relaxation of home purchase requirements and mortgage policies, were implemented, resulting in the stabilisation of property prices and an increase in transaction volumes. The situation further improved during the second half of the year. In particular, the collection of sales amounts saw a significant pick-up, alleviating property developers' cash flow pressures.

During the period, property markets in Hong Kong and Macau remained steady in general, albeit facing higher downward pressure in the fourth quarter.

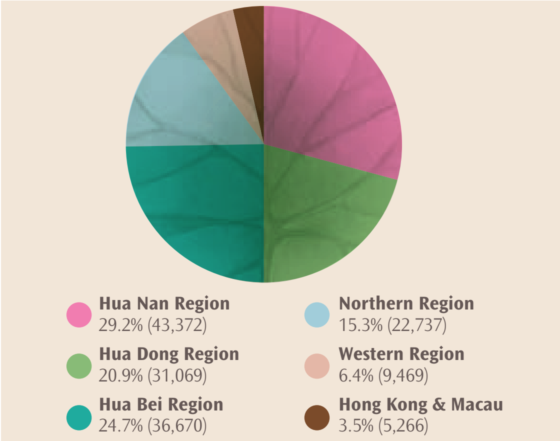
2015 GROUP'S CONTRACTED SALES IN AREA BY REGION

'000 sq m



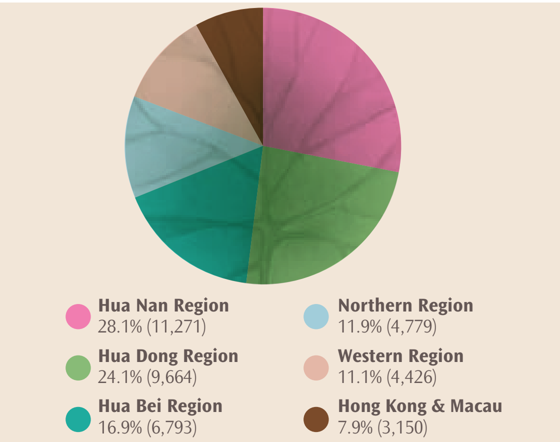
2015 GROUP'S CONTRACTED SALES AMOUNT BY REGION

HK$ million



2015 GROUP'S GROSS PROFIT CONTRIBUTION BY REGION

HK$ million



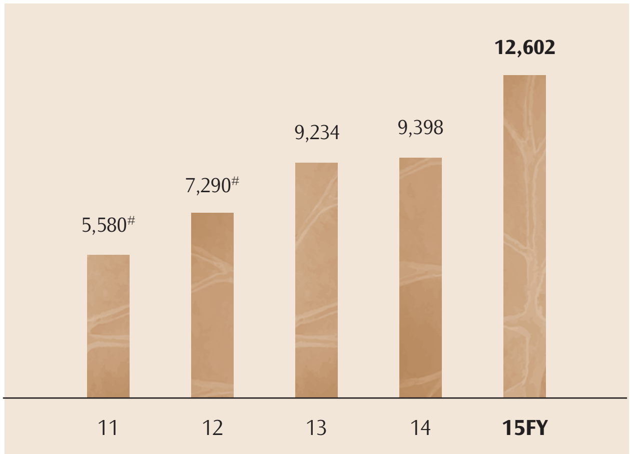
Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

As an industry leader with annual sales that have exceeded HK$100 billion every year since 2012, the Group was able to maintain a relatively balanced monthly sales performance despite varying market conditions (except that sales in February dropped to below HK$10 billion due to the Lunar New Year). Amid a somewhat lacklustre market in the first half of the year, which saw certain property developers slashing prices to cash out, the Group appropriately moderated its sales arrangements and managed to complete half of its annual sales target. Market sentiment continued to improve during the second half of the year with the value of contracted sales reaching a record high of HK$28.6 billion in November, contributing to annual contracted property sales (including sales of projects with joint ventures and associates) of HK$180.63 billion, surpassing by a small margin of the annual target of HK$180.0 billion, as adjusted in August. Properties with aggregate GFA of 12.60 million sq m were sold. For the year as a whole, the Group reported record-high sales with satisfactory pricing, attributable to the management's accurate judgement of the latest market developments as well as flexible marketing strategies. The "China Overseas Property" brand also made a significant contribution to boosting sales and alleviating the downward pressure on property prices.

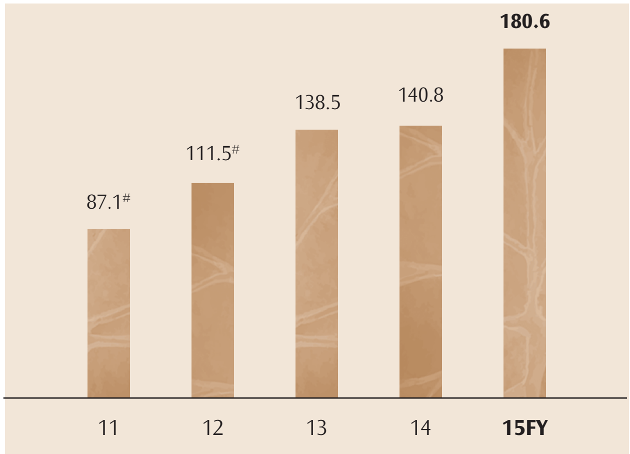
CONTRACTED SALES AREA*

'000 sq m



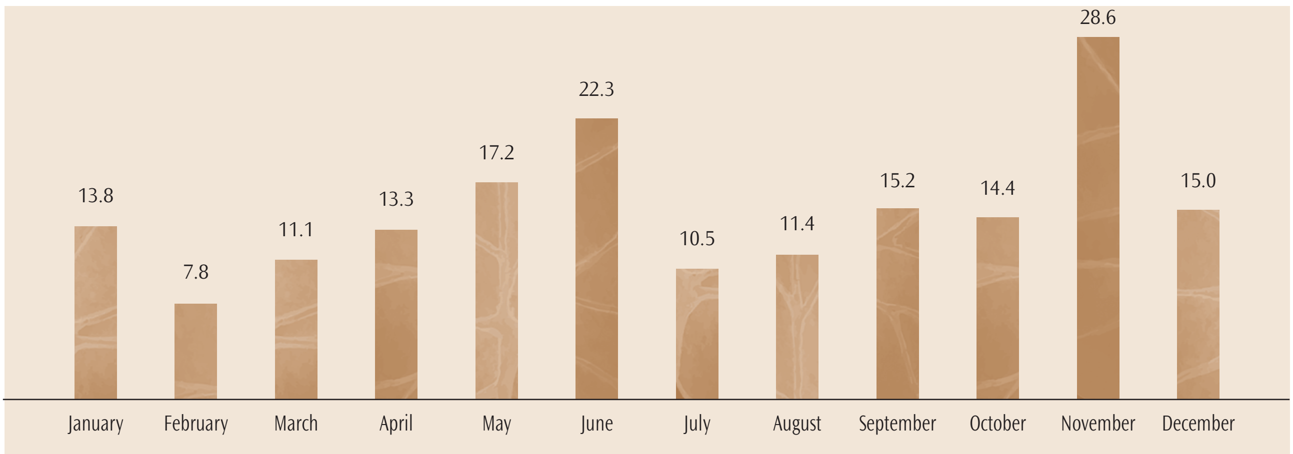
CONTRACTED SALES AMOUNT*

HK$ billion



2015 CONTRACTED SALES AMOUNT BY MONTH*

HK$ billion



* *Including joint ventures and associates*

\# *Including subscribed property sales*

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

In response to market changes, the Group accelerated construction of its property projects in mainland China, completing a total GFA (including joint ventures) of about 12.57 million sq m. The value of sales recognised as the Group's revenue in 2015 was HK$114.29 billion. Furthermore, the level of sales for property completed by the Group as at the end of 2014 increased significantly, with about 1.44 million sq m sold for approximately HK$29.40 billion. Hence, revenue from property development increased by 7.2% to HK$143.69 billion. Operating profit reached HK$37.22 billion.

Looking forward, in order to pursue of greater operating scale while carefully controlling its risks, the Group must accelerate the pace of its development and sales in all its projects. This will result in improved cash inflow, asset turnover and return on shareholders' funds, but the gross profit margin of projects will inevitably be squeezed. The management will continue to endeavor to maintain gross profit margins for the Group's projects at an industry-leading level.

At the end of the year, completed properties held by the Group decreased by 7% to approximately 2.51 million sq m, with book cost of approximately HK$37.66 billion. Sales of completed properties are expected to increase substantially next year and will help to increase the amount of sales recognised as revenue in 2016. In line with the Group's emphasis on the collection of sales proceeds, cash inflow from sales for the Group and the joint ventures reached HK$148.66 billion. Presales deposits decreased by 12.9% to HK$52.70 billion as at the end of the year.

The Group strives to expedite its development through joint venture cooperation and mergers and acquisitions. Nevertheless, with the growth in its financial strength, the Group has been engaged in fewer joint venture projects in recent years. As at the end of December 2015, the Group's interest in 18 joint ventures plus amounts due from and deducted amounts due to joint ventures decreased to HK$14.52 billion. Profit contributions from joint ventures for the full year of 2015 increased slightly, to approximately HK$630 million. In 2015, sales from joint ventures reached HK$10 billion, and revenue amounting to HK$11 billion was recognised. All the joint ventures were financially sound. As at the end of the year, two projects in aggregate owed outstanding loans of approximately HK$2.56 billion, while cash held by the joint ventures totalled HK$5.85 billion. Cash inflow from sales for the year amounted to approximately HK$10.14 billion while pre-sales deposits amounted to HK$5.21 billion at the year end. Furthermore, COGO, the Company's major associate, recorded a net profit of approximately HK$920 million. The Group recorded a net profit contribution of approximately HK$320 million from COGO.

After 21 months of diligent work, on 7 May 2015 the Company completed the acquisition of the Acquired Group (consisting of companies holding the China property portfolio and the three investment properties in London) from the controlling shareholder, CSCECL. Meanwhile, the issue of Company's shares to COHL was completed on 18 May 2015. This exercise reinforces the Company's position as the primary listed platform of CSCECL for its property development business, resolves the competition with the Company in the China, Hong Kong, Macau and London property business in an effective way, enlarges the scale of operation of the Group, and strengthens the capital base and the financial position of the Company. All these factors reinforce the Company's leading status in the China property market. Please refer to the announcements made by the Company on 24 March 2015 and 18 May 2015 for details of the Assets Acquisition and the Shares Issue.

In 2016, the property market in mainland China is expected to remain generally stable while market consolidation will further accelerate and merger and acquisition opportunities will rise. For most property developers, 2016 will remain a highly challenging year. Yet the Group is in a relatively favourable position thanks to its operational and financial strength, coupled with a strong brand image.

As property markets in Hong Kong and Macau are expected to remain steady, the Group will strengthen marketing efforts for its existing projects in these markets, and will continue to seize opportunities to expand its Hong Kong and Macau business in an appropriate manner.

The Board is confident that the Citic Property Merger & Acquisition exercise announced by the Company on 14 March 2016 will be completed smoothly. The Group is fully confident in its performance in 2016, and considers it a good time to increase its market share, acquire prime land resources and consolidate its position as market leader.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

GFA of Projects Completed (including joint ventures) in 2015 by Region (unit: '000 sq m)		
	GFA	
Hua Nan Region		
Shenzhen	329	
Guangzhou	392	
Foshan	1,034	
Changsha	299	
Xiamen	41	
Zhuhai	125	
Sub-total	**2,220**	**(17.7%)**
Hua Dong Region		
Suzhou	896	
Nanjing	840	
Ningbo	596	
Nanchang	140	
Shanghai	352	
Sub-total	**2,824**	**(22.5%)**
Hua Bei Region		
Beijing	352	
Tianjin	381	
Jinan, Zibo	883	
Wuhan	210	
Zhengzhou	104	
Weifang	85	
Sub-total	**2,015**	**(16.0%)**
Northern Region		
Changchun	928	
Qingdao	366	
Dalian	382	
Shenyang	1,224	
Yantai	301	
Harbin	123	
Sub-total	**3,324**	**(26.4%)**
Western Region		
Chengdu	867	
Xi'an	811	
Chongqing	454	
Sub-total	**2,132**	**(17.0%)**
Hong Kong & Macau		
Hong Kong	2	
Macau	51	
Sub-total	**53**	**(0.4%)**
Total	**12,568**	

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development

Hua Bei Region

Lane No. 9, Tianjin
(100%-owned)

Location:	Hexi District, Tianjin
Site area:	78,436 sq m
GFA:	452,500 sq m
Year of expected completion:	2017

Lane No. 9 is situated at Hexi District, an important political, cultural, educational and financial centre of Tianjin. Lane No. 9 is located in the new Badali area, a key development region that is poised by the government as an integrated CBD comprising office, commercial, leisure and residential areas that is easily accessible, with river views on both sides and excellent ancillary facilities. The project offers five different property categories, namely mini-highrise and highrise residential buildings, apartments, shops and office, providing around 2,400 residential units. Given the smooth construction progress, seven of the buildings were almost completed, and completion of the whole project is scheduled in December 2017. The project was well received during its initial launch in January 2015.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Bei Region (continued)

La Cite, Taiyuan
(100%-owned)

Location:	Wanbailin District, Taiyuan
Site area:	44,577 sq m
GFA:	675,624 sq m
Year of expected completion:	2018

Located at the interchange of Yingze Street and Binhexi Road of Taiyuan City, La Cite possesses premium natural landscape and high accessibility and is situated on the planned Metro Line 2 and Line 3. The project is divided into the South Zone and the North Zone, comprising nine SOHO ultra-high rise office buildings, two grade-A office buildings and commercial facilities, which won the recognition of the “2015 Most Anticipated Project in Shanxi” award. In the South Zone, the nine SOHO ultra-high rise office buildings have been launched for pre-sale since June 2015, with expected completion in July 2017. The two grade-A office buildings in the North Zone, currently under good progress, are scheduled for completion in December 2018.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Bei Region (continued)

King's Mansion, Beijing
(100%-owned)

Location:	Shijingshan District, Beijing
Site area:	106,574 sq m
GFA:	425,541 sq m
Year of expected completion:	2016

Located along the West Chang'an Avenue, Shijingshan District, King's Mansion is positioned in the major transportation hub in Beijing. The ultra-low density residential project has distant separation among buildings that features expansive vista, with all-round amenities and resources for educational, daily life, medical and financial services, as well as leisure and entertainment. The project provides over 2,700 residential units, which are currently under the stage of structural construction with scheduled for completion in December 2016. Since its first launch in June 2015, King's Mansion has been well received by the market with over 50% of the units sold.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Northern Region

Gate of Peace, Shenyang
(100%-owned)

Location:	Heping District, Shenyang
Site area:	536,967 sq m
GFA:	2,296,238 sq m
Year of expected completion:	2021

Located at the gateway of Heping District, the Gate of Peace enjoys an excellent geographical location which is supported by a strong transportation network with the metro station nearby. The Gate of Peace is developed in four phases. Currently, only Phase One is developed. The commenced Phase One with a GFA of approximately 600,000 sq m, is divided into Zone 1 and Zone 2, offering a total of 5,428 residential units, 98 shops and around 2,400 parking spaces. The sale of Zone 1 has received positive market response since its launch in September 2014, with around 80% of the units sold.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Northern Region (continued)

La Cite, Changchun
(100%-owned)

Location:	Economic-Technological Development Area, Changchun
Site area:	626,000 sq m
GFA:	1,375,341 sq m
Year of expected completion:	2018

La Cite, is located in the Economic and Technological Development Area in Changchun, supported by high quality educational and medical facilities. The project is developed in three phases, providing a total of over 8,000 residential units and more than 1,000 shops. There will be one kindergarten each for Phases One and Two. Currently, Phase One has been completed and Phase Two is under construction, while Phase Three is still under the planning stage. The project is scheduled for completion in December 2018. Since the launch of Phase One in August 2014, around 80% of its residential units have been sold. Phase Two was also launched to the market in May 2015.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Western Region

Glorious Garden, Kunming
(100%-owned)

Location:	Wuhua District, Kunming
Site area:	54,510 sq m
GFA:	289,963 sq m
Year of expected completion:	2016

Situated on the Longquan Road, Wuhua District, Kunming, Glorious Garden is easily accessible with a well-developed road network, and is surrounded by several ecological parks and natural landscape with tranquil and comfortable features. Glorious Garden is backed by a strong academic atmosphere, created by the cluster of prestigious schools ranging from elementary schools to universities nearby. The project comprises 13 buildings, including four high rise buildings, eight ultra-high rise buildings and one kindergarten, providing a total of about 2,100 residential units and 30 shops. Construction is going smoothly as two buildings have already been capped and scheduled for pre-sale in September 2015. The whole project is scheduled for completion in December 2016.

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Dong Region

La Cite, Ningbo
(100%-owned)

Location:	Jiangdong District, Ningbo
Site area:	89,012 sq m
GFA:	245,751 sq m
Year of expected completion:	2016

Located at the city centre of Jiangdong District of Ningbo, La Cite enjoys a stunning view and well-developed ancillary facilities of the hustle city, including transportation, business, educational and medical facilities. The entire project is developed in two phases and scheduled for completion in December 2016, with the first phase in December 2015 and the second phase in December 2016. Currently in the inspection and acceptance stage, the first phase would soon be ready for occupation while the construction of the second phase is going smoothly. The first phase offers a total of 530 residential units and it has been well received since its launch in September 2014, with only a few units available and around 90% sold. The second phase offers 927 residential units with the sales campaign in progress.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Dong Region (continued)

The Imperial, Wuxi
(51%-owned)

Location:	Binhu District, Wuxi
Site area:	135,551 sq m
GFA:	385,556 sq m
Year of expected completion:	2017

Situated on the Guanshan Road of Wuxi at the core area of the Binhu District, the Imperial is the first low-density community in the district, featuring British-style villas and apartments with panorama views. The project has been awarded the “2015 Most Anticipated Project by Netizens”. The project is developed in three phases. The first phase occupies around 50,000 sq m, comprising residential and commercial properties and kindergarten facilities, with expected completion by the end of 2015. Occupying around 90,000 sq m, the second phase is a residential property with expected completion before the end of 2016. The third phase occupies around 150,000 sq m which is mainly residential and commercial property with expected completion in September 2017. The whole project is planned to be completed by the end of 2017 and construction is in good progress currently. Since its official launch in December 2015, the first phase recorded sales of over 90% of its units.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Nan Region

One Blossom Cove, Guangzhou
(100%-owned)

Location:	Liwan District, Guangzhou
Site area:	183,711 sq m
GFA:	1,308,731 sq m
Year of expected completion:	2018

Located in Liwan District, Guangzhou, the project is easily accessible as it is near the exit of Xilong Station with a wide range of educational, commercial, medical and leisure amenities that ensure a quality living standard for its residents. The project is developed in four different land parcels offering a total of over 5,000 residential units. With the good construction progress, they are scheduled for completion in December 2016, December 2017 and December 2018 respectively. One Blossom Cove was initially launched to the market in September 2015 with enthusiastic market response, attracting over 1,000 potential buyers with total sales of approximately RMB1.2 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Nan Region (continued)

Goldenmiles, Foshan
(100%-owned)

Location:	Nanhai District, Foshan
Site area:	66,501 sq m
GFA:	320,091 sq m
Year of expected completion:	2016

Located at the core area of Jinshazhou, Goldenmiles enjoys premium natural landscape, comprehensive ancillary facilities and convenient transportation. Featuring mainly in luxury three-/four-room units, the project provides residents with a quality living standard, using world renowned brands in the decoration for delivery. The project is developed in one phase and offers a total of 2,176 residential units, 166 shops and 1,960 parking spaces. The presale was launched in April 2015 and recorded a total transactions of 161 units amounting to RMB315 million. The second batch of units was launched in October 2015.

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hong Kong and Macau

The Nova, Hong Kong
(100%-owned)

Location:	Sai Ying Pun
Site area:	2,150 sq m
GFA:	16,475 sq m
Year of expected completion:	2016

Located on Third Street, Sai Ying Pun, Hong Kong, The Nova is close to the Sai Ying Pun MTR Station, with numerous prestigious schools in the district. Occupying a site of 2,150 sq m with a GFA of 16,475 sq m, the project has a 35-storey commercial and residential building featuring 255 residential units with one-/two-/three-bedrooms, and a clubhouse exclusively for its residents located on the top floor. The Nova is a new and large scale residential property project that is rarely seen in the district in recent years. The residential section has received positive response from the market since its launch in January 2015 with approximately 70% of the units were sold, while the whole project is scheduled for completion in 2016.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hong Kong and Macau (continued)

My Place, Hong Kong

(100%-owned)

Location:	To Kwa Wan
Site area:	772 sq m
GFA:	6,947 sq m
Year of expected completion:	2016

Situated on Pak Tai Street, Ma Tau Kok, Kowloon, My Place is near the planned To Kwa Wan MTR Station with convenient transportation. Occupying a site of 772 sq m with GFA of 6,947 sq m, the project has one 26-storey commercial and residential building providing 168 residential units, including both open studio and one-bedroom units, as well as an exclusive clubhouse. Since its launch in May 2015, the residential section was well received by the market and completely sold out in the same month. The sales of shops and parking spaces will be commenced in the first half of 2016, with expected project completion in 2016.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Name of property and location	Group's interest %	Intended use	City	Year of expected completion	GFA '000 sq m
Metro Harbor, Daxing District	80	Commercial/ Residential	Beijing	2016	401
King's Mansion, Shijingshan District	100	Residential	Beijing	2016	426
Glorious Garden, Wuhua District	100	Residential	Kunming	2016	290
La Cite, Jiangdong District	100	Commercial/ Residential	Ningbo	2016	246
Goldenmiles, Nanhai District	100	Residential	Foshan	2016	320
The Nova, Sai Ying Pun	100	Residential	Hong Kong	2016	16
My Place, To Kwa Wan	100	Commercial/ Residential	Hong Kong	2016	7
La Cite, Nanhai District	100	Commercial/ Residential	Foshan	2016	508
La Cite, Minxing District	100	Commercial/ Residential	Shanghai	2016	243
South Marina, Southern District	100	Residential	Hong Kong	2016	21
One Regent, Jianggan District	100	Residential	Hangzhou	2016	138
La Cite, Huanggu District	100	Commercial/ Residential	Shenyang	2016	2,759
The Arch, Qujiang District	100	Residential	Xi'an	2016	670
Lane No. 9, Hexi District	100	Commercial/ Residential	Tianjin	2017	453
The Imperial, Binhu District	51	Residential	Wuxi	2017	386
La Cite, Minhou County	100	Commercial/ Residential	Fuzhou	2017	730

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Name of property and location	Group's interest %	Intended use	City	Year of expected completion	GFA '000 sq m
One Kai Tak, Kai Tak	100	Residential	Hong Kong	2017	82
The Phoenix, Binhu District	51	Residential	Wuxi	2017	613
La Cite, Wanbailin District	100	Residential	Taiyuan	2018	676
La Cite, Economic-Technological Development Area	100	Residential	Changchun	2018	1,375
One Blossom Cove, Liwan District	100	Commercial/ Residential	Guangzhou	2018	1,309
La Cite, Hexi District	100	Commercial/ Residential	Tianjin	2018	413
Gate of Peace, Heping District	100	Commercial/ Residential	Shenyang	2021	2,296

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT

Unipark Shopping Mall, Nanjing

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

Annual Summary

- Investment properties held as at the end of 2015 amounted to 1,730,000 sq m.

- Currently, the total area of commercial property under development and yet to be developed amounts to about 3.80 million sq m. Over 50% of this area will be completed by the end of 2017.

- Annual rental income was HK$1.92 billion.

- Increase in fair value of investment properties amounted to HK$7.45 billion, mainly attributable to completed investment properties such as Beijing China Overseas Plaza, Beijing China Overseas Property Plaza, Nanjing China Overseas Building and Zhuhai China Overseas Plaza Tower and investment properties under construction such as Chengdu China Overseas International Center Phase Three, Foshan Unipark Shopping Mall and Beijing Ao Nan 4th.

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

Following the official release of the China Overseas Grade A Office Cloud Business Brand Strategy by China Overseas Commercial Properties in Beijing in November 2014 announcing the strategic transformation of the company from a traditional commercial real estate property developer to an integrated real estate operator, a series of events under the theme of "The Advent of Future" were carried out in various office buildings of China Overseas Property in November 2015 to celebrate the anniversary of the cloud business, demonstrating again the new achievements and developments of the China Overseas Cloud Business Strategy, that is, the innovation and implementation of China Overseas Property's "Internet Plus" business model. Leveraging the resources from China Overseas Grade A office buildings, their corporate tenants and their employees through the application of mobile internet technologies, the cloud business aims to consolidate upstream and downstream business resources in the market to provide multi-dimensional value-added services, such as daily life services for corporate staff, corporate management services and corporate development services.

The launch of China Overseas Cloud Business has given rise to the adoption of new rules of the commercial market. Instead of focusing only on location and hardware in the process of site selection, enterprises now prefer to choose a business partner. Unlike the traditional view of treating office building services as basic property services, China Overseas Cloud Business has raised the standard of office building services by enabling tenants to access around-the-clock office services via mobile devices. It is not only an extension of mobile internet, but also a major reform of Internet Plus property business, creating a brand new property service model.

China Overseas Property has always attached great importance to the development of commercial properties and is committed to the strategy of increasing the weight of its investment properties. With the continuous development and operation of China Overseas Commercial Properties, investment properties will be accounting for an increasing share in the Group's overall property portfolio. The investment properties can provide the Group with a stable income, and the long-term goal of the Group is to derive more than 20% of its total profit from investment properties. The Group strives to develop a series of high-quality investment properties. Following the completion of investment properties such as Nanjing China Overseas Building, Wuhan China Overseas Building and Zhuhai China Overseas Plaza Tower in 2015, coupled with the acquisition of investment properties from CSCECL such as Shanghai China Fortune Tower, as well as One Finsbury Circus, 61 Aldwych and Carmelite House in London, the Group held an aggregate area of 1,730,000 sq m of investment properties in London, Hong Kong, Macau and mainland China. The overall occupancy rate of the Group's investment properties was satisfactory. Total rental income for the year was HK$1.92 billion, representing a year-on-year increase of 16.6%. Total rental income arising from Hong Kong, the Mainland and London amounted to HK$170 million, HK$1.41 billion and HK$340 million respectively. Segment profit amounted to HK$8.97 billion, which included an increase in fair value of investment properties of HK$7.45 billion (net profit after deferred tax was approximately HK$5.75 billion).

Shanghai China Fortune Tower

One Finsbury Circus, London

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

COMPLETED INVESTMENT PROPERTIES

The Group's completed office buildings are premium properties in well-chosen locations. Their tenants include multi-national companies, financial institutions and large scale domestic enterprises that are attracted by its easy accessibility and outstanding building quality.

Nanjing China Overseas Building comprises a large-scale, premium shopping mall ("Unipark Shopping Mall") and Grade A offices, offering leasable area of approximately 140,000 sq m. Following the successful commencement of Jinan Unipark Shopping Mall in 2013 and Shenyang Unipark Shopping Mall in 2014, Nanjing Unipark Shopping Mall, the third shopping mall held by the Group, also commenced operation in May during the year, with an occupancy rate of over 90%. Major tenants consist of cinemas, large supermarkets and fashion boutiques. Transportation is extremely convenient given its location in the core area of Gulou District in Nanjing, and 60% of Nanjing's urban area can be reached within a 20-minute drive. Under the theme of slow fashion, the mall is an urban shopping mall for shopping, dining, cultural activities, entertainment and daily necessities, providing a one-stop shopping experience. On 29 April, Jinan Unipark Shopping Mall, which has been in operation for two years, was recognised by the International Council of Shopping Centers "ICSC China Shopping Center Awards 2015", winning silver in the New Developments category, in appreciation of its innovative design and development of world-class real estate projects, highlighting the prominence of the Unipark brand in the industry.

The investment properties acquired from CSCECL include China Fortune Tower in Shanghai and three investment properties in London, substantially all units of which are under lease. China Fortune Tower has a leasable area of approximately 90,000 sq m which situated in the Zhuyuan Commerce and Trade District within the Lujiazui Finance and Trade Zone. It features well-developed commercial ancillary facilities and a premium location. The first to third podium floors of the building are for commercial use, providing banking and dining services to satisfy the business and daily needs of tenants. The major tenants of the office building are large scale automobile companies, securities firms and fund houses.

All the three investment properties in London, namely One Finsbury Circus, 61 Aldwych and Carmelite House, are Grade A offices. Located in the north of the City of London, One Finsbury Circus has easy access as it is right above the Moorgate underground station. Standing north to the west exit of One Finsbury Circus is the largest public green area within the City over the centuries, the building boasts of a prominent location with a beautiful view of the park. Built in the 1920s and designed by a famous British architect, the building has been the headquarters of British Petroleum for many years. The building is now listed as a grade II heritage building by the City. The latest refurbishment of the building which completed in 2008, won the City Heritage Award. The building has a leasable area of approximately 19,000 sq m and is primarily let to international law firms and banks.

Located in West London and adjoining the London School of Economics and Political Science (LSE) and the Royal Courts of Justice, 61 Aldwych is easily accessible as it is at the junction of two main roads and is within a 5 to 10-minute walk to the nearest underground stations of Holborn, Covent Garden and Temple. Built in the 1920s and refurbished in 2007, the building has a leasable area of approximately 16,000 sq m and is primarily let to world-renowned investment companies and consulting firms.

Located in the southwest of the City of London, Carmelite House is a grade II heritage building overlooking the Thames with the scenery running alongside. The building can be conveniently accessed from the nearby Blackfriars Bridge underground station, the pier on the Thames and the east-west Victoria Embankment which is one of the major thoroughfares between West London and the City. Completed in 2014, the building has a leasable area of approximately 12,000 sq m and is primarily let to world-renowned publishers.

Other investment properties including China Overseas Property Building, China Overseas Plaza and China Overseas Property Plaza in Beijing and China Overseas International Center Phase One and Phase Two in Chengdu continued to generate stable rental income for the Group on the back of high occupancy rates.

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

MAJOR COMPLETED INVESTMENT PROPERTIES

	Name of property and location	Group's interest %	City	Year of lease term expiry	Leasable Area sq m
(a)	China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	100	Hong Kong	2047	19,485
(b)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	100	Beijing	2051	24,226
(c)	China Overseas Plaza, Jianguomenwai Avenue, Chaoyang District, Beijing	100	Beijing	2053	133,619
(d)	China Overseas Property Plaza, West Bin He Road, Yong Ding Men, Dongcheng District, Beijing	100	Beijing	2043	81,619
(e)	China Overseas International Center Phase One, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	129,464
(f)	China Overseas International Center Phase Two, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	65,555
(g)	Blocks F and G, West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2051	107,229
(h)	Block J, Renhe No. 39 Land of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2052	62,192
(i)	China Overseas Building, No. 36 East Longteng Road, Wuhou District, Chengdu	100	Chengdu	2045	34,825
(j)	China Overseas Building, No. 76 Yanji Road, Shibei District, Qingdao	100	Qingdao	2047	55,893
(k)	Unipark Shopping Mall, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2049	62,097
(l)	China Overseas Plaza, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2049	104,005

Management Discussion and Analysis (continued)

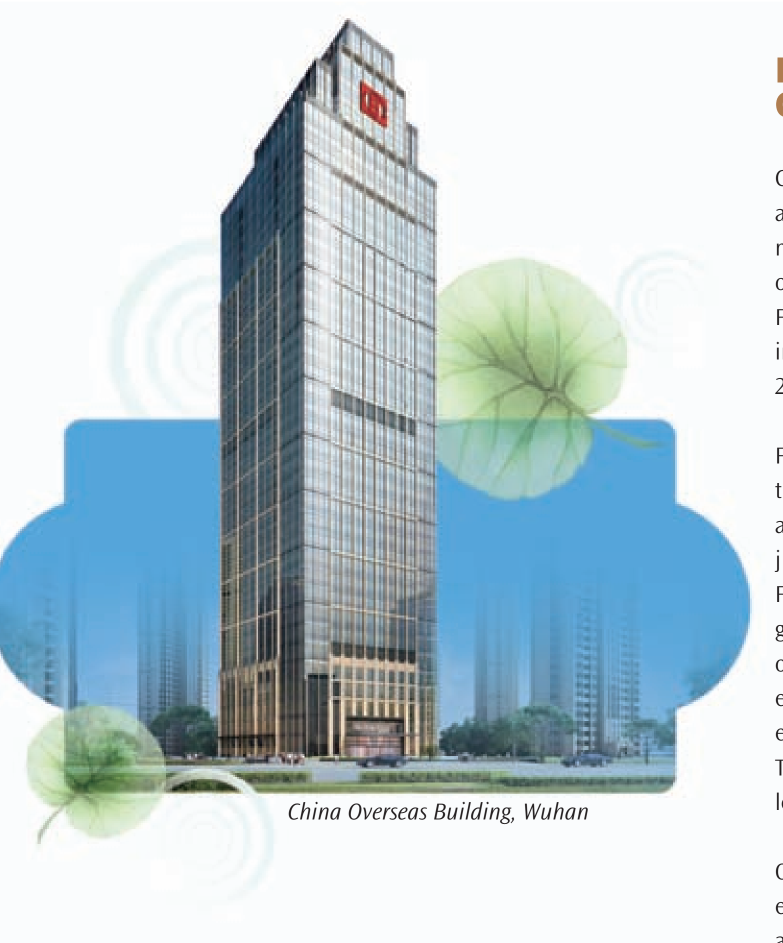
PROPERTY INVESTMENT (CONTINUED)

MAJOR COMPLETED INVESTMENT PROPERTIES (CONTINUED)

	Name of property and location	Group's interest *%*	City	Year of lease term expiry	Leasable Area *sq m*
(m)	China Overseas Building, Lao Gu Cheng Village JB parcel, Shijingshan District, Beijing	100	Beijing	2053	70,510
(n)	China Overseas Building, The junction of Xinkaimen North Road and Furong South Road, Qujiang New District, Xi'an	100	Xi'an	2080	32,013
(o)	China Overseas Plaza, Ta Wan East Road, Huanggu District, Shenyang	100	Shenyang	2049	182,549
(p)	China Overseas Building, Phoenix West Road, Gulou District, Nanjing	100	Nanjing	2046	140,068
(q)	China Overseas Building, South of Yuehu Avenue and West of Longdengdi Road, Hanyang District, Wuhan	100	Wuhan	2053	52,469
(r)	China Overseas Plaza Tower, Bai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2050	220,572
(s)	China Fortune Tower, No. 1568–1588, Century Avenue, Pudong New District, Shanghai	51	Shanghai	2054	93,362
(t)	One Finsbury Circus, One Finsbury Circus, London, United Kingdom	100	London	2986	19,260
(u)	61 Aldwych, 61 Aldwych, London, United Kingdom	100	London	Freehold	16,482
(v)	Carmelite House, Carmelite House, 50 Victoria Embankment, London, United Kingdom	100	London	Freehold	12,447

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)



China Overseas Building, Wuhan

INVESTMENT PROPERTIES UNDER CONSTRUCTION

Currently, the area of commercial properties under development and to be developed by the Company amounts to about 3.80 million sq m, over 50% of this area will be completed by the end of 2017. Projects cover cities such as Beijing, Chengdu, Nanjing, Foshan, Shenyang and Tianjin, it is expected that the rental income from commercial properties will exceed HK$2 billion by 2018.

Foshan Unipark Shopping Mall, the forth shopping mall held by the Group, enjoys convenient transportation given its direct access to Leigang Station on Guangfo Line and it is located at the junction of Guilan Road and Xiaping Road in the Guicheng Financial Hi-tech Zone of Nanhai District in Foshan. Adopting a garden design style, the mall will bring together a diverse range of businesses including shopping, leisure, entertainment, education and dining, providing local citizens with a rich experience featuring love, beauty, happiness, fashion and style. The building is scheduled to be completed in 2016 and has a leasable area of approximately 100,000 sq m.

Other projects under development are located at prime sites with easy access, all of which are going to provide premium offices and commercial spaces.

Management Discussion and Analysis (continued)

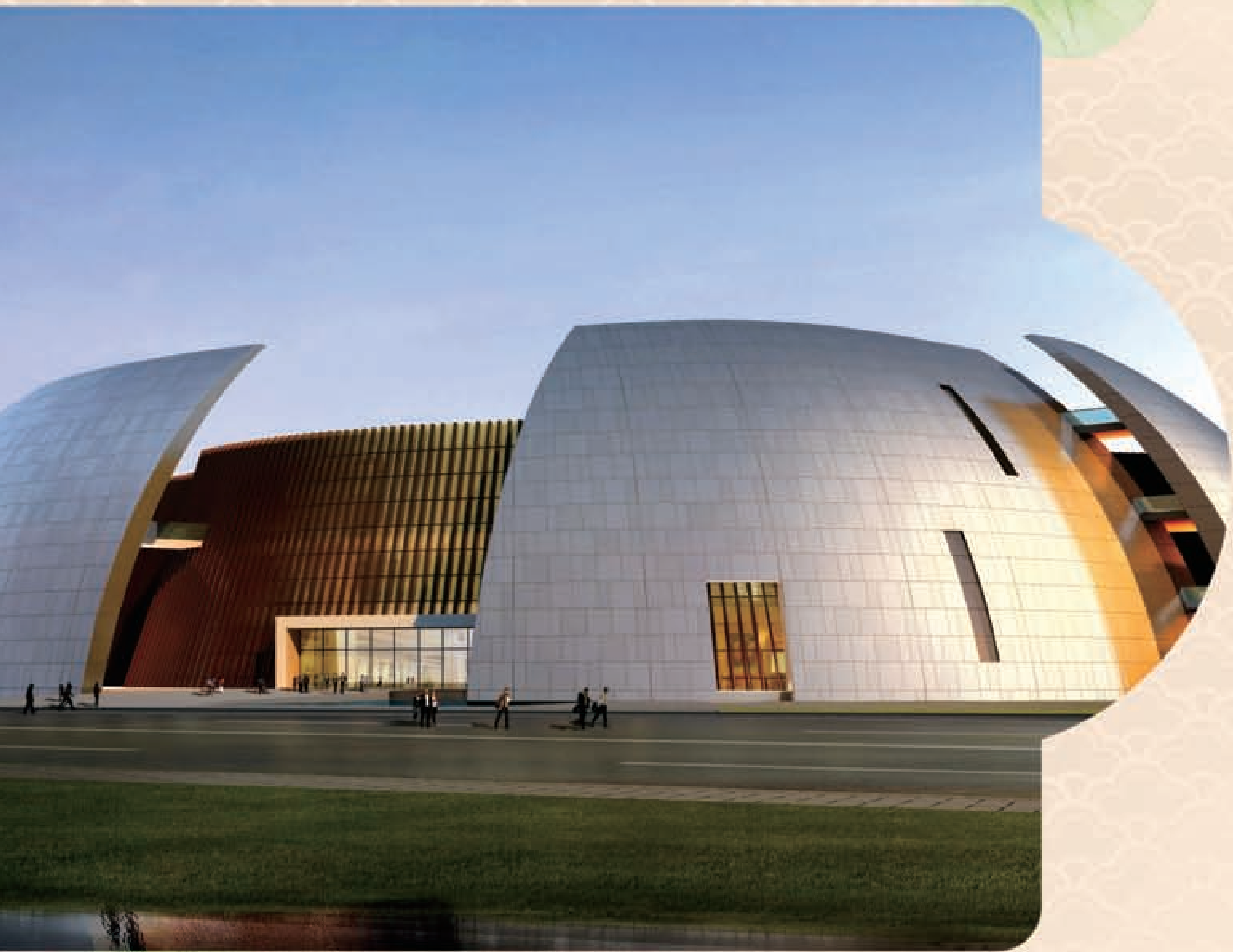
PROPERTY INVESTMENT (CONTINUED)

MAJOR INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Name of property and location	Group's interest %	City	Year of expected completion	Year of lease term expiry	Leasable Area sq m
(a)	China Overseas International Center Phase Three, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2016	2048	170,601
(b)	Unipark Shopping Mall, No. 18 Guilanzhong Road, Nanhai District, Foshan	100	Foshan	2016	2052	99,346
(c)	Metro Harbor, Huangcun Town, Daxing District, Beijing	80	Beijing	2016	2050	12,256
(d)	Block H, West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2017	2051	70,900
(e)	Block I, Renhe No. 39 Land of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2017	2052	85,451
(f)	No. 8, The Milestone, The Junction of Wei Jin South Road and Wu Jiayao Street, Hexi District, Tianjin	100	Tianjin	2017	2053	58,996
(g)	International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2017	2049	189,299
(h)	Ao Nan 4th, Olympics Cultural Business District, Southern Area of Olympics Park, Chaoyang District, Beijing	100	Beijing	2017	2050	95,401
(i)	JA Parcel, Lao Gu Cheng Village JA parcel, Shijingshan District, Beijing	100	Beijing	2017	2054	63,131
(j)	China Overseas International Building, Bin He West Road, Tanggu District, Tianjin	100	Tianjin	2018	2049	131,250
(k)	Metro Town North, North of Meigouying Village, Renhe Town, Shunyi District, Beijing	100	Beijing	2018	2051	91,140
(l)	China Overseas Building, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2019	2048	343,084

Management Discussion and Analysis (continued)

OTHER OPERATIONS



Changchun City Planning Exhibition Hall

Management Discussion and Analysis (continued)

OTHER OPERATIONS (CONTINUED)

PLANNING AND CONSTRUCTION DESIGN

Hua Yi is a company of the Group which engages in the provision of design services. Apart from "Grade A Architectural Design Qualification" and "Grade A Urban Planning Qualification", it also holds professional qualifications in seven categories including architecture, structure, electrical and mechanical services, planning, programming, landscaping, and interior design. The collaboration and the integration of professional and technical resources forms one of the core competitiveness of Hua Yi, and enables Hua Yi to create well-rounded architectural designs by taking into account diverse perspectives during the design process. With more than 1,000 professional designers and 10 branch offices over the country, Hua Yi has received various awards at national and provincial levels in Mainland China, and was named "National High-tech Enterprise", "National Excellent Enterprise with Foreign Investment" and "Top 100 Enterprises of Cultural Creativity in Shenzhen".

Shenzhen CNOCC Building

To build up its core competitiveness, Hua Yi has developed technical capability and project experience of conducting whole process design by adopting the "Building Information Model (BIM) Design" technology, while enhancing the efficiency and productivity of the overall planning by integrating the key components (including development, design, production, construction and operation) through its complete housing industrialization chains. With its professional knowledge in planning and programming, Hua Yi can take into account of factors such as overall planning and econometrics to create more comprehensive renovation plans for old city areas and provide solutions for urban renewal projects. The large scale renovation projects undertaken by Hua Yi during the year included OCT-Abloom Courtyard's Project of Existing Urban District Reconstruction in Longhua, Reconstruction of Existing Urban District-MuTouLong in Shenzhen and Ailian subdistrict in Longgang. In addition, Hua Yi continued to innovate its business operations during the year by establishing the structural services division and the mechanical and electrical services division based on the new technology management structure of the company, achieving outstanding results in projects featuring complex structures and high requirements in mechanical and electrical services, such as China National Offshore Oil Corporation Building, Shenzhen Bay Technology and Ecology City and Hisense South Headquarters in Shenzhen, and all are well recognised within the industry.

Boosted by the "Urban Planning — Architectural — double class A platform", Hua Yi's brand influence and integrated service capabilities have been further enhanced through the integration of its professional resources and overall planning capability, improvement and extension of business chains, enhancement of operating systems, and building up of core technological competitiveness. In 2015, new contracts signed by Hua Yi reached HK$500 million.

Management Discussion and Analysis (continued)

OTHER OPERATIONS (CONTINUED)

Management Discussion and Analysis (continued)

OTHER OPERATIONS (CONTINUED)

PROPERTY MANAGEMENT

As a pioneer in China's modern property management business, COPL has been making vigorous efforts to improve its service quality in tandem with the rapid development of the property business, with a view to enhance the value of the Group's property brand.

During the year, COPL had approximately 427 property management projects with an aggregate GFA of approximately 61.06 million sq m, located in 50 cities including Beijing, Guangzhou, Shanghai, Shenzhen, Foshan and Hangzhou. The properties managed included residential properties, offices, commercial complexes, government properties and hi-tech industrial parks, with the provision of a full range of premium property management services, including community security management, automation of buildings and facilities, maintenance and management, garden landscape maintenance and organisation of community cultural activities, etc.

In addition to providing premium property management services to luxury residential property development projects developed by the Group, the property management companies in Hong Kong also manage commercial buildings, shopping malls, large housing estates, public housing estates, private properties, public facilities, customs checkpoints, Central Government representative offices in Hong Kong as well as military sites. The aggregate GFA amounted to approximately 6.22 million sq m.

To further enhance service efficiency and quality as well as to increase customer satisfaction, property management business in the mainland launched the planning and development work of the community O2O platform. Currently, the first version of the program has been completed and entered the testing phase. The platform will cover the basic properties, financial planning, community purchase and the surrounding district.

COPL received numerous awards in mainland China in recognition of its outstanding management services and excellent service quality, including the "2015 TOP 10 Property Management Companies Worth Focusing by Capital Markets — No.1," "2015 China TOP100 Property Management Companies — Business Size TOP10," "2015 Property Management Outstanding Contribution Enterprise," "2015 China Property Management Top 100 — Comprehensive Strength" and "2015 China Property Service Leading Brand."

In order to consolidate its property management business, COPL was listed on the Main Board of HKEx (Stock Code: 2669) on 23 October 2015, the Group has accomplished the restructure target within a short period of time by distribution in specie and by way of introduction which further enhance the Group's business management efficiency.

Management Discussion and Analysis (continued)

GROUP FINANCE

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

The Group has consistently adhered to the principle of prudent financial and treasury management. In terms of financial management, the experienced professional team in the finance department strives to apply appropriate accounting policies and prepare consolidated financial statements to the Board and the management with timely understanding of the Group's operating performance and financial conditions. In terms of treasury management, the Group implements centralised fund allocation by pooling its capital resources wherever practicable in order to reduce idle funds. The Group firmly believes that sales proceeds are the most solid and reliable source of working capital, and therefore puts constant efforts in expediting cash collection and enhancing its ability to protect its assets. Appropriate decisions on fund raising are pursued after taking into account of the financial conditions of the Group, cash generation and requirements of future operations as well as future changes in the capital market, subject to a reasonable level of borrowing (a gearing ratio of generally not higher than 40%).

FINANCIAL PERFORMANCE

Shareholders' interests are always the top priority for the Group, who is dedicated to delivering value to shareholders. The Group continued to achieve record high in sales and profit despite the macro-control measures and stringent regulatory measures towards the property market in the past few years. Through expediting cash collection from sales, emphasis on capital management and appropriate leverage, the Group managed to record satisfactory return on shareholders funds and growth in the net profit even under a complicated and fast changing and ever expanding in operational scale environment. Through continued improvements in management and capturing of opportunities arise as the market consolidate, the Group is confident that it will continue to maintain sound growth in net profit on the back of annual revenue of over HK$100 billion, thus delivering sound reward to shareholders. During the year, the Company also spun-off its property management business for a separate listing and distributed special interim dividend in kind to our shareholders in the form of shares of the spun-off entity, so as to release the intrinsic value of the Group's assets and increase the distribution to shareholders. The Group will continue to focus on enhancing the returns to shareholders.

Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

FINANCIAL CONDITIONS

The Group has been increasing its shareholders' fund on a continued basis in recent years (the Group paid for the acquired assets from the parent company through the share placement in May 2015) to improve its financial structure and strength, which has resulted in greater capacity for fund raising and investment in future. Equity attributable to owners of the Company had increased to HK$191.56 billion as at the end of 2015, which is the most powerful among the real estate companies in the Mainland China.

The Group's net current assets as at 31 December 2015 amounted to HK$227.86 billion, an increase of 59.8% compared with the figure for 2014, while the current ratio also increased substantially from 1.75 times for the previous year to 3.00 times for the year under review. Due to the increase in the Group's overall debts and the change in its debt structure, the financing costs for the year increased accordingly. As a result, the Group's interest cover decreased slightly from 10.4 times in the last year to 9.8 times for the year under review, but still remained at a high level in the industry.

The Group's interest cover is calculated as follows:

	2015 (HK$ million)	2014 (HK$ million)
Operating profit	**45,908**	43,607
Deducting:		
Total interest income	**986**	686
	44,922	42,921
Interest expense *	**4,599**	4,120
Interest cover (times)	**9.8**	10.4

* *Before capitalisation.*

FINANCING AND TREASURY MANAGEMENT

The Group attaches great importance to liquidity management. In addition to maintaining a reasonable level of cash (generally not less than 10% of total assets), the Group is also committed to improving the debt structure on a continued basis. During the year, the Group arranged banking facilities amounting to HK$13.13 billion and also issued a total of EUR1 billion bonds in July and November. Taking into consideration of the lower financing costs in Mainland China, as well as the downside pressure of RMB under the strong dollars, the Group completed its first domestic RMB bond issuance of RMB8.0 billion by the end of the year. The Group will monitor the changes in the financial market closely and consider appropriate financing approaches and opportunities carefully.

Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

As a property developer with sound financial management, the Group requires a strong financial position. Appropriate borrowings will be made but cash flow should mainly be derived from sales. The Group reported satisfactory sales during the year, generating cash of HK$138.52 billion. Together with the net cash inflow from joint ventures projects amounting to HK$1.24 billion and net financing of HK$19.0 billion, the Group had more than sufficient cash resources to meet all expenses. In order to maintain scale expansion and profit growth, in addition to expedite the development and marketing of property projects to increase asset turnover rate, the Group need to try some innovative ways and means or merger and acquisition opportunities to acquire land. As the management continues to hold a bullish view on China's property market, the Group's capital expenditure will continue to increase by 20% every year and the Group is also required to increase its net financing each year to support ongoing business development. It takes several months for the Group to complete the Citic Property Merger & Acquisition deal just announced. The management is still studying the impact of the deal on the capital expenditure and financing scale and try best to report on that in the interim result announcement. The Group will stick to strict cash flow management. It is expected that there will be increase in the amount of cash collection from sales as comparing with last year.

While emphasising the availability of adequate funds and diversified financing sources, the Group also endeavours to control the gearing level and borrowing costs. The Group's net gearing ratio sharply declined from 28.0% as at the end of 2014 to 6.8% as at the end of 2015, which is conducive to capturing sound investment opportunities in a volatile market.

As compared with the previous year, interest expenses of the Group increased by 11.6% to HK$4.60 billion, mainly due to a significant increase in debts. Owing to the relatively low interest rate of Eurobonds and the significant drop of interest rate for RMB bonds, the weighted average borrowing cost (annual interest expenses divided by weighted average borrowing amount) decreased from 4.45% in 2014 to 4.23% in 2015, which remained among the lowest in the industry.

As at 31 December 2015, the Group's bank loans and notes payable amounted to HK$49.26 billion (including RMB bank loans of approximately RMB12.40 billion) and HK$66.20 billion (US$6.25 billion, EUR1 billion and RMB8 billion) respectively, in which secured bank loans reduced from HK$2.13 billion last year to HK$1.40 billion in 2015, represents 1.21% of total borrowings.

Management Discussion and Analysis (continued)

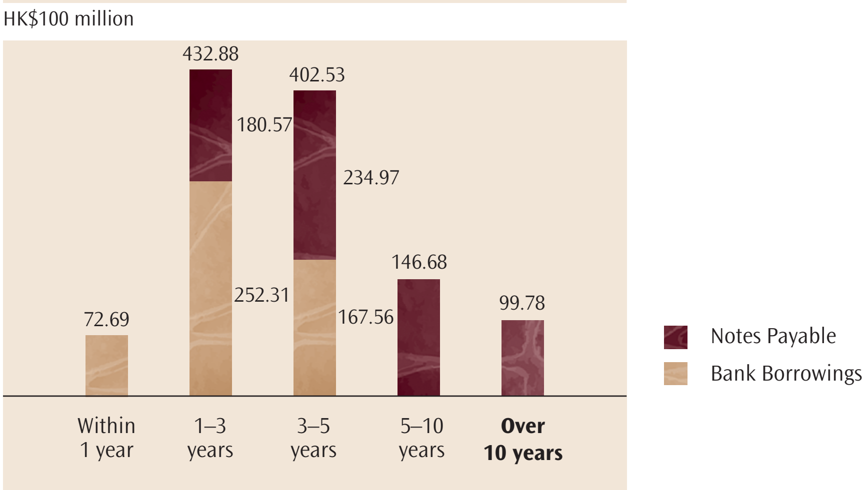
GROUP FINANCE (CONTINUED)

Repayment schedule is as follows:

Repayment schedule	2015 (HK$100 million)	2014 (HK$100 million) (Restated)
Bank borrowings		
Within one year	72.7	225.4
More than one year, but not exceeding two years	96.6	94.4
More than two years, but not exceeding five years	323.3	172.0
Total bank borrowings	492.6	491.8
Notes payable		
10-year (US$1.0 billion due November 2020)	77.1	77.1
5-year (US$750 million due February 2017)	58.0	58.0
10-year (US$700 million due November 2022)	53.8	53.7
30-year (US$300 million due November 2042)	23.0	23.0
5-year (US$500 million due October 2018)	38.6	38.5
10-year (US$500 million due October 2023)	38.5	38.5
30-year (US$500 million due October 2043)	38.4	38.4
5-year (US$550 million due May 2019)	42.4	42.4
5-year (US$250 million due May 2019)	19.5	19.5
10-year (US$450 million due May 2024)	34.6	34.6
10-year (US$250 million due May 2024)	19.8	19.8
20-year (US$500 million due June 2034)	38.4	38.3
4-year (EUR600 million due July 2019)	50.4	–
4-year (EUR400 million due November 2019)	33.6	–
6-year (RMB7 billion due November 2021) (i)	83.9	–
7-year (RMB1 billion due November 2022) (ii)	12.0	–
Total Notes payable	662.0	481.8
Total borrowings	1,154.6	973.6
Deducting:		
Bank balances and cash	1,024.5	599.1
Net borrowings	130.1	374.5
Equity attributable to owners of the Company	1,915.6	1,336.7
Net gearing ratio (%)	6.8%	28.0%

(i) The notes payable with terms for adjustment of the interest rate and sell back option at the end of third year from issue date.
(ii) The notes payable with terms for adjustment of the interest rate and sell back option at the end of fifth year from issue date.

INTEREST BEARING DEBT MATURITY PROFILE AT 31 DECEMBER 2015



Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

Taking into account the greater proportion of maturing loans in the first half of 2015, the Group made refinancing arrangements by the end of 2014 and the maturity profile of debts was sharply improved during the year. Given the improvement of the domestic banks' timing over mortgage approval and loan provision, the Group's collection of sales proceeds reached HK$138.52 billion, as well as the Group acquired land parcels of 10 million sq m from the parent company without any cash payment, and it had no urgent need of replenishing land reserve amid the sluggish market conditions, it accumulated ample cash by the end of the year, which prompted the Group's net gearing ratio to fall from 28.0% at the end of 2014 to 6.8% at the end of the year. The Group's bank balances and cash rose from HK$59.91 billion at the end of 2014 to HK$102.45 billion at the end of 2015.

Analysis of the Group's debt and bank balances and cash at the end of the year by currency is as follows:

	Bank loans and notes payable	Bank balances and cash
Hong Kong dollars	27.88%	16.83%
US dollars	41.76%	1.89%
Sub-total	69.64%	18.72%
RMB	21.19%	79.49%
EUR	7.27%	–
GBP	1.90%	1.77%
Macau Pataca	–	0.02%
Total	100%	100%

FUND RAISING PLANS

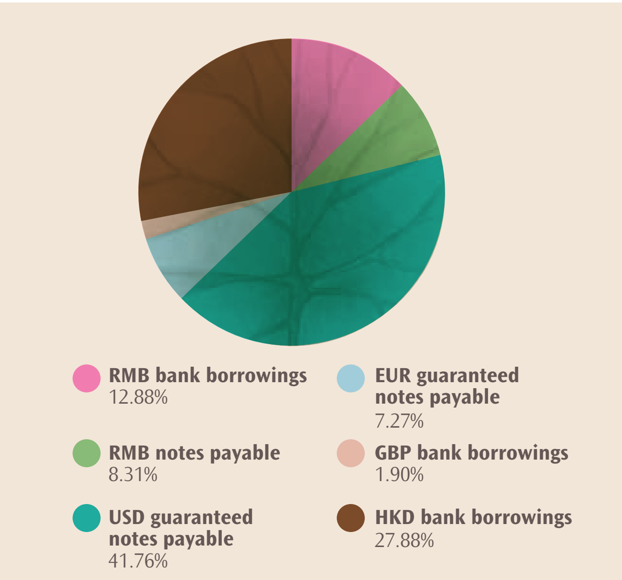
As at the end of 2015, the Group's bank loans due within one year amounted to only HK$7.27 billion (comprising onshore RMB loans equivalent to HK$2.53 billion), accounting for 6.3% of its total borrowings. As at 31 December 2015, the Group's available funds amounted to HK$113.06 billion, comprising bank balances and cash of HK$102.45 billion and unutilised banking facilities of HK$10.61 billion.

Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

On the back of its consistently strong business performance, leading position among Chinese property developers and sound reputation, the Group has been well trusted and supported by onshore and offshore banks and has enjoyed smooth access to financing at low costs. The Group will continue to closely monitor changes in the financial market by fully weighing on the strong USD, and it will watch for opportunities to enter into appropriate financing in 2016 to increase non-USD/non-HKD denominated debts and moderately reduce USD/HKD denominated debts, so that the proportion of USD/HKD denominated debts may further decline, so as to further improve its debt structure. The projects under the Citic Property Merger & Acquisition exercise are highly leveraged and the amount of shareholder's loans are huge. The Group needs to undertake a massive debt restructure. Given the fact that the Group has ample cash on hand the scale for financing this year will become substantially more than before but the amount of new fund financing will not be much. The Company is one of the few Hong Kong-listed Mainland China property development companies which has been awarded investment grade ratings by Fitch, Moody's and Standard & Poor's. During the year, Fitch upgraded the Group's rating to A- stable, and the investment grade ratings of the Company are in general the highest in the domestic property development sector. The Group is also the only enterprise that has issued long-term bonds with a 30-year term, which reflects market recognition of the Group's leadership in China's property market and its solid financial position. The Group has maintained effective communication with rating agencies over the past few years to ensure that investors are informed about the Group's business approaches and financial and treasury management.

INTEREST BEARING DEBTS BY CURRENCY AT 31 DECEMBER 2015



HEDGING ARRANGEMENTS AGAINST EXCHANGE RATE VOLATILITY

As at 31 December 2015, 38.7% of the Group's total borrowings were made at floating rates (among which 16.3% were due within one year; 46.2% were due more than one year but not exceeding three years; 37.5% were due more than three years); 61.3% were made at fixed rates; 30.4% were non-USD/non-HKD denominated debts and 69.6% were USD/HKD denominated debts. The Group expects that a moderate rise in interest rate for USD is possible in 2016; while there will be two to three interest rate cuts and required reserve ratio cuts in Mainland China. In general, there is limited interest rate risk. On the other hand, the Group's assets are mainly RMB denominated assets, however, HKD denominated bank borrowings and USD denominated notes in aggregate account for 69.6% of the Group's interest bearing debts, therefore, the Group shall attach importance to the foreign exchange risk arising from RMB devaluation. The Group considers that RMB is exposed to the risk of depreciation in the short-term but would appreciate in the medium-term, so the foreign exchange risk should be short-term and controllable. Monitoring closely to the change in the trend of interest rates and the potential causes that trigger significant changes in the exchange rates of HKD, RMB and USD, the Group will prudently consider entering into currency and interest rate swap arrangements as and when appropriate to hedge against such exposure. The Group has never engaged in the dealing of any financial derivative instruments for speculative purposes.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group provided, in line with usual business practice, buy-back guarantees for the repayment of bank mortgage loans amounting to HK$24.47 billion by certain buyers of the Group's properties. The Company also provided guarantees in respect of guaranteed notes issued by certain subsidiaries amounting to HK$56.61 billion. The Group has never incurred any loss in the past as a result of granting such guarantees.

Directors and Organisation

BOARD OF DIRECTORS

Executive Directors

Mr. HAO Jian Min

Executive Director, Chairman and Chief Executive Officer

Aged 51, holds a Master degree from Harbin Institute of Technology in the PRC and a Master degree in Business Administration from Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined China Overseas Holdings Limited ("**COHL**") in 1989. He was appointed Director of a subsidiary of the Company in 1997 and certain subsidiaries of COHL and the Company subsequently. Mr. Hao was appointed Executive Director of the Company from 29 September 2005, Vice Chairman of the Company from 23 November 2006 and Chief Executive Officer of the Company from 1 June 2007. He has become Chairman of the Company and continues to serve as Chief Executive Officer of the Company with effect from 6 August 2013. Mr. Hao was a Member of the Remuneration Committee of the Company from 22 March 2007 to 11 August 2012 and was also the Chairman of such committee from 22 March 2007 to 1 February 2009. Besides acting as the Executive Director, Chairman and Chief Executive Officer of the Company, Mr. Hao is currently the Chairman and Non-Executive Director of **China Overseas Grand Oceans Group Limited and **China Overseas Property Holdings Limited, a Vice Chairman and General Manager of COHL, and a director of certain subsidiaries of COHL and the Company. Mr. Hao has approximately 29 years of experience in property and corporate management.

** *company listed on The Stock Exchange of Hong Kong Limited*

Mr. XIAO Xiao

Executive Director, Vice Chairman and Senior Vice President

Aged 59, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the Group in 1990. He was appointed Director of certain subsidiaries of the Company since 1994. Mr. Xiao was appointed Executive Director of the Company from 1 February 2005, Vice Chairman of the Company from 22 March 2007 and the Senior Vice President of the Company in August 2009. Besides acting as the Executive Director, Vice Chairman and Senior Vice President of the Company, Mr. Xiao is currently a Director of China Overseas Holdings Limited and certain of its subsidiaries, and also Director of certain subsidiaries of the Group. He has about 34 years' management experience in construction and property business.

Mr. LUO Liang

Executive Director, Vice President and Chief Architect

Aged 51, graduated from Huazhong University of Science and Technology, holder of Master degree, Professor Level Senior Architect. He joined the Group in 1999. Mr. Luo has been appointed as Executive Director of the Company from 22 March 2007 and the Vice President of the Company in August 2009. Besides acting as the Executive Director, Vice President and Chief Architect of the Company, Mr. Luo is currently a Director of certain subsidiaries of the Group. He was also a Director of China Overseas Holdings Limited and certain of its subsidiaries. Mr. Luo has about 27 years' architectural experience.

Mr. NIP Yun Wing

Fellow of the Hong Kong Institute of Certified Public Accountants

Fellow of the Association of Chartered Certified Accountants

Executive Director and Chief Financial Officer

Aged 61, holds a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Nip joined the Company in March 2002 and was appointed Executive Director and Deputy Financial Controller in June 2002. Mr. Nip resigned on 17 September 2004 to further his own objective. He joined China Overseas Holdings Limited from 1 August 2006 as the General Manager of Finance and Treasury Department and was seconded to the Company to look after finance and treasury matters of the Group. Mr. Nip was appointed Executive Director and the Chief Financial Officer of the Company from 17 August 2009. Besides acting as the Executive Director and Chief Financial Officer of the Company, Mr. Nip is currently a Director of certain subsidiaries of the Group. Mr. Nip has extensive experience in corporate finance, investment and management and has served as an Executive Director for several listed companies in Hong Kong. Mr. Nip is an Independent Non-Executive Director and a Member of the Audit Committee of **Shenzhen International Holdings Limited.

** *company listed on The Stock Exchange of Hong Kong Limited*

Directors and Organisation (continued)

Non-Executive Director

Mr. ZHENG Xuexuan
Non-Executive Director
Aged 49, holds a Bachelor Degree in Industrial and Civil Architecture from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) and is a Professor Level Senior Architect. Mr. Zheng joined China State Construction Engineering Corporation in 1989 and was appointed as a Director of China Overseas Holdings Limited from 17 October 2011. Mr. Zheng was appointed Non-Executive Director of the Company from 19 October 2011. Mr. Zheng is currently the Deputy General Manager of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668), and the General Manager of the Human Resources Department of CSCECL. These companies are direct or indirect parent company of the Company. He has more than 26 years' extensive experience in construction, corporate management and human resources management. Mr. Zheng provides guidance on the human resources management matters and bridges the communication with the parent company.

Directors and Organisation (continued)

Independent Non-Executive Directors

Mr. LAM Kwong Siu
SBS
Independent Non-Executive Director,
Chairman of the Remuneration Committee,
Member of Audit Committee,
Member of Nomination Committee

Aged 81, joined the board as an Independent Non-Executive Director of the Company on 30 September 2003 and has served the Company for about 12 years. Mr. Lam is also a Member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 3 August 2015. He was the Delegate of the Tenth National People's Congress. He is the Vice Chairman of BOC International Holdings Limited, the Honorary Chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Cooperation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the Honorary President of the Chinese Bankers Club of Hong Kong and the Director of Bank of China International Limited. Mr. Lam is also an Independent Non-Executive Director of **Fujian Holdings Limited, **Xinyi Glass Holdings Limited, **Yuzhou Properties Company Limited and **Far East Consortium International Limited. Mr. Lam has over 55 years' continuous banking and finance experience.

** *companies listed on The Stock Exchange of Hong Kong Limited*

Directors and Organisation (continued)

Dr. FAN HSU Lai Tai, Rita
GBM, GBS, JP
Independent Non-Executive Director,
Chairman of the Nomination Committee,
Member of the Audit Committee,
Member of the Remuneration Committee

Aged 70, joined the Board of Directors as an Independent Non-Executive Director of the Company on 2 February 2009 and has served the Company for about 7 years. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit Committee and the Remuneration Committee of the Company. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

In the lead-up to Hong Kong's reunification with China, Dr. Fan played a valuable role as a Member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("**NPC**") between 1998 and 2007, was a Member of the Standing Committee of the Eleventh session of the NPC and is currently a Member of the Standing Committee of the Twelfth session of the NPC. Dr. Fan is also the first female steward of The Hong Kong Jockey Club. She retired from The Club in September 2015 on reaching the age of 70.

After graduating from St. Stephen's Girls' College, Dr. Fan studied at the University of Hong Kong, and was awarded a Bachelor degree in Science, and later on, received a Master degree in Social Science. She also received the Honorary Doctorate in Social Science from the University of Hong Kong, the City University of Hong Kong and The Hong Kong Polytechnic University respectively, and an Honorary Doctorate in Law from the China University of Political Science and Law of the People's Republic of China. Her record of public service has been acknowledged by the HKSAR Government through the award of the Gold Bauhinia Star in 1998 and Hong Kong's top award, the Grand Bauhinia Medal, in 2007.

She is also an Independent Non-Executive Director, a Member of the Audit Committee, the Nomination Committee and the Chairman of the Remuneration Committee of **COSCO Pacific Limited; an Independent Non-Executive Director, a Member of the Nomination Committee, the Audit Committee and the Chairman of the Remuneration Committee of **China Shenhua Energy Company Limited; an Independent Non-Executive Director, a Member of the Nomination Committee and the Chairman of the Remuneration Committee of **China COSCO Holdings Company Limited; and an Independent Non-Executive Director of **The Bank of East Asia, Limited.

** *companies listed on The Stock Exchange of Hong Kong Limited*

Directors and Organisation (continued)

Mr. LI Man Bun, Brian David
MA (Cantab), MBA, FCA, JP
Independent Non-Executive Director,
Chairman of the Audit Committee,
Member of the Nomination Committee,
Member of the Remuneration Committee

Aged 41, joined the Board as an Independent Non-Executive Director of the Company on 19 March 2013 and was appointed Chairman and Member of the Audit Committee and Member of the Nomination Committee and the Remuneration Committee on the same day. Mr. Li is an Executive Director & Deputy Chief Executive of **The Bank of East Asia, Limited ("**BEA**"), primarily responsible for BEA's China and international businesses. Mr. Li joined BEA in 2002 and served as General Manager & Head of Wealth Management Division from July 2004 to March 2009. Mr. Li was subsequently appointed Deputy Chief Executive in April 2009 and Executive Director in August 2014.

Mr. Li is currently an Independent Non-Executive Director and Chairman of the Audit Committee of **Towngas China Company Limited, and an Independent Non-Executive Director of **Hopewell Highway Infrastructure Limited.

Mr. Li currently holds a number of public and honorary positions, including being a Member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, a Member of the Advisory Committee of the Securities and Futures Commission of Hong Kong, Chairman of the Traffic Accident Victims Assistance Advisory Committee of the Government of the Hong Kong Special Administrative Region ("**HKSARG**"), a Member of the HKSARG Small and Medium Enterprises Committee, a member of the HKSARG Aviation Development and Three-runway System Advisory Committee, and a member of Market Development Committee, Financial Services Development Council of the HKSARG.

He is also a Member of the Hong Kong-Europe Business Council, a Member of the Hong Kong-Taiwan Business Co-operation Committee, a member of Asian Financial Forum 2016 Steering Committee#, a Committee Member of the Hong Kong Chapter, the Institute of Chartered Accountants in England and Wales (the "**ICAEW**"), a Member of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, and a Council Member of The Hong Kong Management Association.

Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Full Member of the Treasury Markets Association. He is also a Fellow of the ICAEW. He holds an MBA degree from Stanford University as well as MA and BA degrees from the University of Cambridge.

** *companies listed on The Stock Exchange of Hong Kong Limited*
# *Mr. Li will become a member of Asian Financial Forum 2017 Steering Committee with effect from 1st April, 2016.*

Directors and Organisation (continued)

SENIOR MANAGEMENT

Mr. DONG Daping

Vice President of China Overseas Land & Investment Ltd.

Aged 56, graduated from Heilongjiang University and holds a Master of Engineering Management degree from Harbin Institute of Technology, senior economist. Mr. Dong joined China State Construction Engineering Corporation in 1983, joined the Group in 2001. Mr. Dong was the Executive Director of the Company during the period from August 2009 to March 2013. He is currently the Vice President of the Company, and has about 33 years' management experience in corporate human resources and administration.

Mr. LIN Xiaofeng

Vice President of China Overseas Land & Investment Ltd.

Aged 51, graduated from Peking Economics University (now known as Capital University of Economics and Business) and holds a Master of Business Administration degree from University of South Australia in Australia. Mr. Lin joined China State Construction Engineering Corporation in 1988, joined the Group in 1990. Mr. Lin was the Executive Director of the Company during the period from August 2009 to August 2012. He is currently the Vice President of the Company, and has about 28 years' management experience in corporate finance and accounting.

Mr. ZHANG Yi

Vice President of China Overseas Land & Investment Ltd.

Aged 49, graduated from Tianjin University of Finance & Economics and Peking Economics University (now known as Capital University of Economics and Business) and Graduate Economics Training Center at Renmin University of China, holder of a master's degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. Mr. Zhang has about 22 years' management experience in public relation and investment strategy business.

Mr. QI Dapeng

Vice President of China Overseas Land & Investment Ltd.

Aged 45, graduated from Jilin University and Harbin Institute of Technology, holder of a master's degree, senior accountant. He joined the Group in 1997, and has about 24 years' experience in finance and corporate management.

Mr. Guo Yong

Vice President of China Overseas Land & Investment Ltd.

Aged 52, graduated from Chongqing Jianzhu University (now known as Chongqing University) and holds a Master of Business Administration degree from Troy State University, Alabama, USA, senior engineer. He joined the Group in 1993, and was the Executive Director of the Company during the period from March 2013 to October 2015. He is currently the Vice President of the Company. Mr. Guo has about 32 years' management experience in engineering management and corporate management.

Mr. Kan Hongbo

Vice President of China Overseas Land & Investment Ltd.

Aged 52, graduated from Hefei University of Technology and holder of a master's degree, professorate senior engineer. He joined the Group in 1995, and was the Executive Director of the Company during the period from March 2013 to October 2015. He is currently the Vice President of the Company. Mr. Kan has about 26 years' management experience in engineering management.

Mr. OUYANG Guoxin

Vice President of China Overseas Land & Investment Ltd.

Aged 48, graduated from Chongqing Normal University and is a Master of Corporate Management from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology) and a Doctor of Economics from Peking University, senior economist. He joined the Group in 1997. Mr. Ouyang has about 25 years' experience in construction and corporate management.

Directors and Organisation (continued)

Mrs. SHENG Ye

Assistant President of China Overseas Land & Investment Ltd.

Aged 54, graduated from Chongqing Jianzhu University (now known as Faculty of Architecture and Urban Planning, Chongqing University), senior architect. She joined the Group in 1986. Mrs. Sheng has about 33 years' experience in architectural design and corporate management.

Mrs. XU Xin

Assistant President of China Overseas Land & Investment Ltd.

Aged 47, graduated from Beijing Institute of Civil Engineering and Architecture (now known as Beijing University of Civil Engineering and Architecture), holder of a Master of Business Administration degree from Cheung Kong Graduate School of Business, senior engineer. She joined a subsidiary of China State Construction Engineering Corporation in 1995, and joined the Group in 2014. Mrs. Xu has about 25 years' experience in construction, engineering and corporate management.

Mr. CHEN Lie

Assistant President of China Overseas Land & Investment Ltd.

Aged 45, graduated from Harbin Institute of Technology, senior engineer. He joined China State Construction Engineering Corporation in 1994, and joined the Group in 2014. Mr. Chen has about 22 years' experience in engineering management and corporate management.

Mr. XU Wendong

Assistant President of China Overseas Land & Investment Ltd.

Aged 49, graduated from Harbin Institute of Civil Engineering and Architecture (now known as Harbin Institute of Technology), architect. He joined the Group in 2001. Mr. Xu has about 28 years' experience in architectural design and corporate management.

Mr. ZHUANG Yong

Assistant President of China Overseas Land & Investment Ltd.

Aged 39, graduated from Chongqing University, holder of a master's degree, engineer. He joined the Group in 2000. Mr. Zhuang has about 16 years' experience in human resources management and corporate management.

Mr. LIU Xianyong

Assistant President of China Overseas Land & Investment Ltd.

Aged 44, graduated from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology), senior economist. He joined the Group in 1995. Mr. Liu has about 21 years' experience in marketing and corporate management.

Mr. GUO Guanghui

Deputy Chief Financial Officer of China Overseas Land & Investment Ltd.

Aged 43, graduated from Nanjing University of Science & Technology, holder of a master's degree, senior accountant. He joined the Group in 2006. Mr. Guo has about 21 years' management experience in corporate finance and accounting.

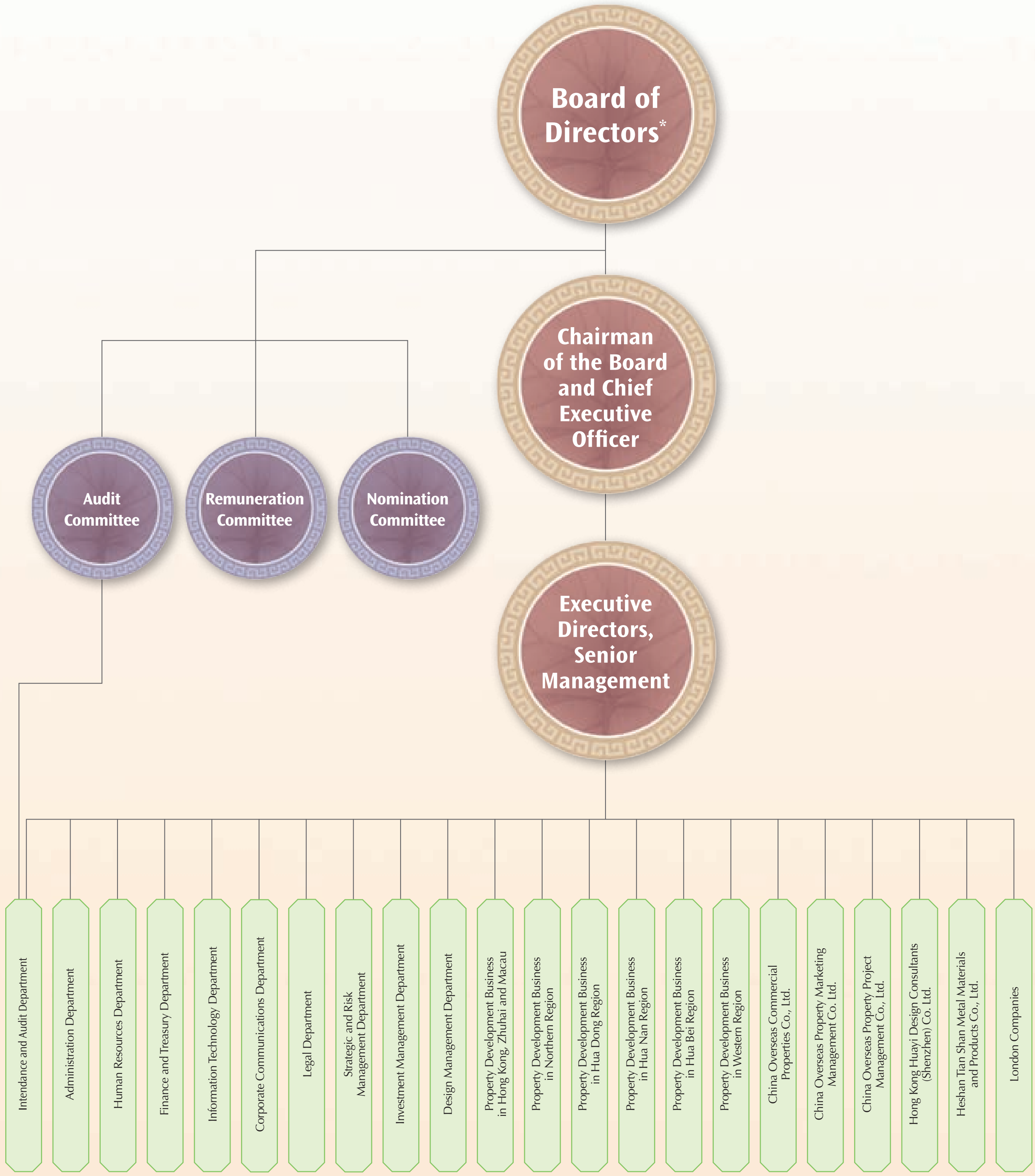
Mr. HAN Chunlin

Assistant President of China Overseas Land & Investment Ltd.

Aged 49, graduated from Shenyang Architectural and Civil Engineering Institute (now known as Shenyang Jianzhu University), senior engineer. He joined the Group in 2002. Mr. Han has about 27 years' management experience in construction and corporate management.

Directors and Organisation (continued)

ORGANISATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



* As at 18 March 2016, the Board of Directors consists of four executive directors, one non-executive director and three independent non-executive directors.

"Cheers Mate! China Overseas Summer Camp for Mainland & Hong Kong Youth 2015"

Corporate Social Responsibility

Corporate Social Responsibility (continued)

During the year, the Group persists in adhering to its maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" to develop its business, and its "people-oriented" philosophy by giving back to society through community engagement, highlighting its social responsibility as a corporate citizen. In this regard, the Group zealously strengthened its commitment to sustainable development and provided customers with quality products and services through stringent quality control, and strove to achieve sustainable development of green buildings by making the best use of natural resources and managing the impacts on the environment. Upholding the strategic position of human resource management, the Group was named one of the "Best Employers in China" for the year, among other recognitions, by virtue of its outstanding performance in staff training and corporate governance. Furthermore,the Group spared no effort in continuously contributing to communities and society by advocating its charity brand of "海無涯•愛無疆" ("The sea has no limit and love has no boundary").

During the year, the Group continued to, with reference to the internationally recognized Sustainability Reporting Guidelines (G4), report its work on corporate responsibility, manage and disclose key corporate social responsibility issues as defined after consulting with its stakeholders. Moreover, the Group has continued to be a constituent member of the "Hang Seng Corporate Sustainability Index" and the "Hang Seng (Mainland and HK) Corporate Sustainability Index" since their launch in 2010, underlining its outstanding performance in the aspects of environmental protection, social responsibilities and corporate governance.

CUSTOMER SERVICE

Customer relations are essential for maintaining a good corporate image for the Company and achieving sustainable development for the Group. The Group always adheres to the best quality product strategy, meets customer needs with quality projects and does its utmost to offer top-notch products and services to every customer. The Group also enhances interaction with customers and collects their feedback effectively through various channels, so as to build up their long-lasting loyalty to our brand through professional and tailored services.

"Children's Dreams, Children's Art", an art exchange programme for students in Mainland China and Hong Kong

Corporate Social Responsibility (continued)

The Group is dedicated to improving property quality in light of its project development principle of "Each and every detail of each and every project". Cross-function assessment is conducted to analyse and optimise the comfort level, practicability and safety of every property from the product design stage, so as to build high-quality properties with care and diligence. Interdepartmental property delivery teams are setup to follow up the handover of each newly completed property. Regional companies engaged independent professional house inspectors to coordinate property inspection which further enhanced professionalism during the year. The setup of housing maintenance centers and the introduction of third-party maintenance agencies provide property owners with continuous maintenance services during and after moving in, further improved the Group's service quality.

The Group is well aware of communication as a key element in sustaining good customer relations. During the year, the Group continuously broadened and diversified customer communications via various channels, aiming to develop long-term ties through more effective dialogues. Indispensable for staying close to customers, new media such as certified accounts on Weibo and WeChat, QQ group and Wechat group have provided an instant access to regular property news flows as well as activities of property owners and pre-occupancy updates.

Besides the interaction through traditional and online channels, the Group also maintains long-term and close relationships with customers via China Overseas Property Club ("COPC"). Established in 2004 with a conviction in "Wonderful Livelihood, Remarkable Life" (精彩生活，卓越人生), COPC has set up branches in the cities where the Group operates and worked with regional companies to hold a variety of community events that catered different needs of different property owners. Community culture was promoted through various activities in an effort to enhance the property owners' sense of belonging to China Overseas communities. During the year, COPC hosted a number of community events such as "Children's Dreams, Children's Art" drawing contest, "Lohas Sports Season" tournaments, "China Overseas Experience Camp for Children of Property Owners" and "Running Family" races, all of which received enthusiastic participation of property owners.

China Overseas Experience Camp for Children of Property Owners

Corporate Social Responsibility (continued)

STAFF DEVELOPMENT AND PERSONAL GROWTH

The Group is convinced that human resources and intelligent capital are important metrics of overall corporate competitiveness, and the integration and mutual development of staff's personal growth and corporate long-run development have featured the Group's human resources management and corporate culture. In this regard, the Group continues to improve the staff management system, provide all-round on-the-job training to improve working efficiency, and promote the "people-oriented" philosophy to create a harmonious workplace to enhance staff relations and sense of belonging.

As at the end of 2015, the Group had approximately 5,300 employees. The Group has set up a cultivation system and procedures to develop the talent highlighted by a number of distinctive features. At the same time, the Group places great emphasis on the continuous improvement of staff professionalism and management of their career path. The Group has also provided comprehensive resources to support the staff to understand the Group's strategies, adapt to the corporate culture, enrich their professional knowledge and strengthen their management capability. During the year, every segments and business lines held a series of intensive targeted training programmes: the marketing companies hosted a four-day intensive training "Marketing Dynamics Camp" for the mid- and high-level salespersons; the commercial companies conducted a series of "Business Line Growth Plan" trainings to all business units; the construction companies staged a "Training Camp for Staff with Potential" for selected employees who have been in service for about three years, to further improve their business capabilities and management skills. For newly recruited graduates, the Group provided new staff orientation as well as career development scheme at different stages and provided guidance on personal development. In addition to internal trainings, the Group provided learning opportunities through job rotation across different businesses to boost the professional growth of staff, and also continuously promoted and encouraged the education funding scheme for staff to update their knowledge and to improve their capabilities.

Construction companies' training camp for staff with potential

Sea's Recruits "Pilot Training Class"

Corporate Social Responsibility (continued)

Through creating and maintaining two human resources brands —"Sons of the Sea" and "Sea's Recruits", the Group persists in expanding the recruitment network for potential talents on-campus and experienced persons in society to secure abundant supply of high-calibre staff to support the Group's rapid business development, thereby further enhancing the continuity and sustainability of business. In recognition of the Group's outstanding image as an employer and the brand name of the recruitment exercise, the Group was presented with numerous honours and awards, including the "Top 100 China Best Employer Award 2015" (hosted by www.zhaopin.com).

The Group adheres to the "people-oriented" philosophy in management and services, exerting great efforts in improving workplace environment and the welfare packages. A number of sports events, interest groups and social club activities, such as "March 8th Family and Nature Reunion" and "China Overseas Organic Farms", were held by the Group's Sorority during the year, with an aim to build a platform for sharing interest, encourage staff to enrich their leisure and cultural life and thus enhance their sense of belonging and solidarity. Furthermore, the Group respects the social values of employees. While encouraging employees to polish up their career plans, the Group also builds up a sound platform for both the enterprise and employees for social contributions through ongoing social welfare activities.

ENVIRONMENTAL PROTECTION PHILOSOPHY

China Overseas Property has been dedicated to integrating its own professional advantage to promote the continuous implementation and innovation of green construction technologies and advocate the use of cost-effective energy-saving technologies. Supported by the low-carbon communities and cities construction on its residential and commercial projects over the years, the Group strives to promote land resources and building materials efficiency in its project development life cycle. Meanwhile, the Group starts with adopting eco-friendly measures itself, such as implementing green construction and green office as well as hosting charitable activities in communities to promote the concept of environmental protection, thereby motivate staff and property owners in communities to a sustainable work and lifestyle. The flagship green building projects of the Group serve as representatives and role models for the industry while raising public awareness of green construction. As at the end of 2015, the Group were awarded various green building certifications with total GFA amounted to over 4.5 million sq m, leading the development of green property in the industry.

Seminar on green construction assessment

Corporate Social Responsibility (continued)

With China's increasing urbanization, energy consumed in construction has risen to around 30% of total energy consumption, which has created a pressing need for energy-saving initiatives in this sector. As the leader in the property industry, the Group is committed to promoting and implementing green construction with modern technologies. The Group has implemented "Technical Guidelines for Green Building" and "Measures for the Promotion and Implementation of Green Building". The Group has also combined the "Green Construction Assessment Standards" from China, the standards under the US LEED certificate and over years of experience of project construction and design. As a result, the Group possess highly adaptable technologies that save land, energy, water and raw materials resources.

Drawing upon years of experience in the design, planning and research of local products, the Group conducts joint department assessment from the product origination stage to analyze and optimize the level of comfort, practicability and safety of every property from the professional perspective of all business lines. Low-carbon energy-saving design, such as considering the effects of arrangement of buildings on sunlight and ventilation, is advocated to improve energy efficiency when the buildings operate.

Regarding procurement of materials and construction, the Group has established a specific department for project and technology management, specified the types of building materials for central procurement and regulated the procurement of building materials. The Group closely monitors areas including the sources of procurement as well as the environmental protection measures adopted by collaborative suppliers during production. The Group has also stepped up environmental supervision of materials, and included environmental protection element as one of the considerations in its supplier evaluation system, so as to encourage low-carbon emission and eco-friendly operations by suppliers. During the whole project construction process, the Group has made every effort to put in place eco-friendly construction management, such as setting up sound barriers and imposing strict restrictions on the permissible hours for construction in order to reduce noise pollution; laying sewage pipelines and tanks to regulate and manage sewage discharge, and strictly complying with measures for handling construction wastes to reduce the impact on the surrounding environment to the greatest extent.

Green market

Project 233-2, International Community, Suzhou is a pioneer project that integrates green construction design and green technology

Corporate Social Responsibility (continued)

Meanwhile, the Group has completed the first full life-cycle green construction technology model project — the green construction technology of the Suzhou International Community 23-2 project, it was recognized that the green construction technology used is at the leading level of the industry. This project was designed and built by applying the three main concepts of "low carbon, health and intelligence", and incorporating 28 green construction technologies including the solar PV power generation system, prefabricated parts, electrochromic glass and humidity controlling ceramics tilts. In this way, the Group realized a good combination of technology, environmental protection, economy efficiency and comfortable environment, making this project a demonstration model for the Group and property industry.

The "Earth Hour"

During the year, the Group continues to promote the green certification of residential and commercial projects. As at the end of 2015, over 40 projects of the Group has obtained the green building certification. Phase Two of La Cite, Chongqing, and Suzhou One Lagoon obtained the "Certificate of Green Building Design Label (Three Star)" issued by the Ministry of Housing and Urban-Rural Development of the PRC. The two green building projects are recognized by the highest three-star certificates, demonstrating the Group's continuous commitment to quality green buildings. Meanwhile, the Paragon in Shenzhen obtained a two-star rating from the British BREEAM green certification, which is the first residential project to obtain such certification in southern China, as well as within the Group. This marks a successful step of the Group in the field of green building certification.

The Group's environmental concepts and measures are reflected also in its corporate culture and day-to-day details in office operation. To promote staff awareness of the need to protect the environment, the Group launched a series of environmental protection activities and encouraged employees to actively participate, for example, the Group encouraged property owners to participate in the "Innovative Environmental Protection Market" so as to put environment protection into daily life practice; supported the "Earth Hour" initiative of the WWF in response to global climate change; held the "Cigarettes for Candies" exchange plan in the 28th World No Tobacco Day, and advocated the concept of "going green in full swing" in work and life. To maintain the effect of environmental protection activities, the Group has launched a multi-dimensional promotion to enhance the philosophy of a green, low carbon and healthy working environment. The Group has also initiated an interactive forum with the theme "Low-carbon Life to Create a Blue Sky" using new social media such as WeChat and Weibo, which was widely supported by its tenants and staff.

"Cigarettes for Candies"

Corporate Social Responsibility (continued)

COMMUNITY WELFARE

The Group upholds its commitment to sustainable development and strives to contribute to the society. During the year, the Group actively engaged in poverty relief and charitable contributions, paid great attention to youth education and expanded its engagement in the Hope Schools programme. As an active participant and practitioner of social welfare undertakings, the Group also encourages its employees to support charity activities under its charity brand of "海無涯•愛無疆" ("The sea has no limit and love has no boundary").

It takes ten years to grow trees, but a hundred years to educate a people. The Group has always placed great importance to community development and youth education in our charity projects. Since 2005, the Group has been making ongoing efforts to drive charitable donations for the construction of China Overseas Hope Schools in fulfillment of its undertaking as a corporate citizen to build one Hope School in China each year. In November 2015, China Overseas Tingkou Hope School was delivered with a ceremony held in Tingkou town, Qixia of Yantai. With a site area of 21,770 sq m and GFA of 7,861 sq m, the school currently has 11 classes with 387 students as well as sufficient teaching staff. It is equipped with an teaching building and a number of function rooms such as computer room, painting room, music room, dancing room, a library, a psychological consultation room, which provides strong suppose for all-round development of teachers and students.

Currently, the Group has built ten Hope Schools and a special education school in Hanzhong of Shaanxi, Nanchuan and Yunyang of Chongqing, Changchun of Jilin, Dujiangyan of Sichuan, Shenyang of Liaoning, Jinan of Shandong, Yinzhou of Ningxia, Quzhou of Zhejiang, Huaihua of Hunan and Qixia of Shandong, creating a better learning environment for children in remote areas. The Group continues to follow up the development of the schools after their establishment, to sponsor student exchange activities and grant scholarships in a hope to give more support to the future of children by leveraging its resources.

In addition to charitable contributions to Hope Schools, the Group also attaches great importance to cooperation with non-profit organizations. Over the years, the Group held a wide range of fundraising activities, community promotion activities and educational activities in a continuous effort to contribute to the society. During the year, over 250 employees and their family members participated in "Walks for Millions", the largest walking charity event in Hong Kong. In addition, the Group actively held regular charitable activities such as art contests, summer camps and care visits, in order to fulfill its corporate social responsibility.

The opening of China Overseas Tingkou Hope School

Corporate Social Responsibility (continued)

January

As in the past, the Group sent a team of employees and their family members to participate the "Walks for Millions (Hong Kong Island and Kowloon)".

February

The Group came third in the open group of the highest fundraising award under the "4th Wu Zhi Xing Charity Walk", an event held by Wu Zhi Qiao (Bridge to China) Charitable Foundation.

June

"Children's Dreams, Children's Art", a Mainland and Hong Kong Art Exchange Programme co-organised by China Overseas and Treats, was held during the period from April to June, comprising 39 art workshops.

August

"China Overseas Summer Camp for Mainland & HK Youth 2015" was held in Foshan, attracting a total of 84 teachers and students from the two places.

September

China Overseas Yuanling Hope School "Charity Education Funding Event" was held grandly in the school.

November

A delivery ceremony was held for China Overseas Tingkou Hope School.

December

The Group organised a team to take part in the "BOCHK Outward Bound Corporate Challenge" for five years in a row.

Accolades & Awards 2015

Accolades & Awards 2015 (continued)

Award	Organiser
Overall Performance	
2015 China Real Estate Best Employer Enterprise 2015 China Real Estate Outstanding Talent Development Enterprise 2015 China Real Estate Outstanding Welfare Enterprise	China Real Estate Association, E-House China, crep.cn, dichanren.com
China Valuable Real Estate Awards — Valuable Real Estate Enterprise of the Year — Corporate Citizen of the Year	National Business Daily
China Overseas Land and Investment Ltd. has a brand value of RMB39.759 billion, ranks first in the industry Awarded "Leading Brands of China Real Estate Companies" for 12 consecutive years	Enterprise Research Institute of Development Research Center of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy
China Real Estate 20-year Influential Developer	China Index Academy
No. 1 in China Real Estate Brand Value Top 50 — China Overseas Land and Investment Ltd. has a brand value of RMB36.216 billion 「中海地產商業發展有限公司」 — No. 4 in Best 10 of China Commercial Real Estate Developers Brand Value	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal
Top 10 China Green Real Estate Developers (Residential)	Biaozhun, China Investment Network
Top 20 Most Valuable Hong Kong-listed Mainland Real Estate Companies	China Business News
2015 No. 1 in the 12th China Blue Chip Real Estate Developer (12 consecutive times)	The Economic Observer
Global 500	Financial Times

Accolades & Awards 2015 (continued)

Award	Organiser
2015 China Real Estate Listed Companies Appraisal Rankings • No.5 in Top 10 Overall Performance • No.3 in Top 10 China Real Estate Developers (H shares) • Top 5 Financial Operation • Top 5 Risk Management	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal
2015 China TOP 10 Listed Real Estate Companies in Corporate Governance 2015 Hong Kong-listed Mainland Real Estate Companies: • Top 10 Economic Value Added • Top 10 Investment Value • Top 10 Financial Stability	Enterprise Research Institute of Development Research Center of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy
Asia Excellence 2015 • Best CEO (Investor Relations) — China • Best Investor Relations Company — China	Corporate Governance Asia
2015 China Top 100 Real Estate Developers • Top 10 Overall Performance • Top 10 Sizable Scale • No.1 in Top 10 Profitability • No.1 in Top 10 Financial Stability	Enterprise Research Institute of Development Research Center of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy
2015 China Top 100 Real Estate Developers • No.5 in Top 10 Overall Performance • No.1 in Operational Efficiency	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal
Global Chinese Enterprises 1000 — Largest Real Estate Companies Award	Yazhou Zhoukan
Asia's Best Companies: • Best Corporate Governance • Best Investor Relations • Best Managed Public Companies	Finance Asia
Top 100 Hong Kong Listed Companies Selection — Top 100 Hong Kong Stocks	Finet Group, QQ.com

Accolades & Awards 2015 (continued)

Award	Organiser
Corporate Social Responsibility and others	
Outstanding Social Caring Organisation Award	Chinese University of Hong Kong Business School, Mastermind Think Tank, Hong Kong Economic Times, et al.
5 Year Plus Caring Company Logo	The Hong Kong Council of Social Service
Hang Seng Corporate Sustainability Index Series constituent company	Hang Seng Indexes
2015 International ARC Awards • Silver Winner — Cover Photo/Design: Property Development: Residential • Bronze Winner — Interior Design: Property Development: Residential • Silver Winner — Interior Design: Real Estate Development/SVC: Residential Properties • Bronze Winner — Traditional Annual Report: Real Estate Development/SVC: Residential Properties	MerComm, Inc
2014 Vision Awards Annual Report Competition — Gold Award Top 40 Chinese Annual Reports	League of American Communications Professionals (LACP)

Investor Relations

The management and Corporate Communications Department of the Group update investors (including shareholders, bond investors and analysts) on the Group's performance and business operations through various channels. Following the release of interim and annual results, press conferences, analyst meetings and post result road shows are held to meet with investors, collect opinions and answer queries directly. The Group voluntarily discloses certain unaudited operating and financial data on a quarterly basis, and announces property sales results and new land acquisitions on a monthly basis to improve the transparency of information disclosure.

The Group communicates and connects closely with investors and interacts with them through meetings with investment bankers, company visits and site visits to property projects. During the year, the Group organised over 400 meetings and telephone communications, and 160 site visits to projects with more than 500 investors participating.

Investors from all sectors can obtain more information about the Group by clicking on the page "Investor Relations" at the Group's website.

Investor Relations (continued)

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2015

Month	Activities
January	Barclays Select Series 2016: China Property Corporate Day BNP Paribas Asia Pacific Financials, Property & Logistics Conference
March–April	Announcement of 2014 annual results • Press conference • Analyst briefing • Post result road show
May	Barclays Select: Asia Financial & Property Conference 2015 Macquarie Greater China Conference 2015
June	Deutsche Bank Asian CB Conference 2015 CICC Investment Strategy Conference 2015 2H CIMB HK/China Financials Corporate Day
August–September	Announcement of 2015 interim results • Press conference • Analyst briefing • Post result road show
October	The 13th BOCI Investors Conference Jefferies 5th Annual Asia Summit
November	Citi's 10th China Investor Conference 2015 MIC Pan Asian Corporate Access Day
December	Nomura China Property Corporate Day

Corporate Governance Report

(A) GENERAL

The Company always places importance on the interests of the shareholders and other stakeholders. The Board recognises that its prime duty is to safeguard and best utilise resources in the Group and thereby to enhance the value for shareholders. Good corporate governance is the key to improving corporate profit and facilitating sustainable development. Thus the Group has always been dedicated to pushing forward and improving corporate governance standards at three levels. Firstly, the Company ensures compliance with respective laws, regulations and the highest standard of ethics. Secondly, the Board continues to strengthen systematic mechanisms to ensure that all decisions are in the interests of shareholders, as well as the community. Lastly, the Company enhances its core competitiveness and stakeholders' value under the principles of corporate governance. The Board believes that such are essential for efficient operation of the Group's business and the safeguard of its assets and shareholders' interests.

In line with the best corporate governance practice, the Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The Board and all subordinate committees evaluate and monitor their respective effectiveness on a regular basis in accordance with their terms of reference.

In the past years, the Group has done its best to promote corporate transparency, to enhance the independence of the Company's operations, to establish an effective accountability system, and to improve the Group's internal control and risk management.

(B) CORPORATE GOVERNANCE PRACTICE

The Company has complied throughout the year ended 31 December 2015 with all the code provisions (except A.2.1, A.4.1, A.4.2 and A.6.7 as stated below) of the Corporate Governance Code ("**Code Provision**") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with most of the recommended best practices contained therein.

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

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

During the year ended 31 December 2015, Mr. Hao Jian Min ("**Mr. Hao**") performed both the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. Based on the experience and qualification of Mr. Hao, the Board believes that the vesting of two roles to Mr. Hao would continue to provide the Group with stable and consistent leadership and continue to allow for effective and efficient planning and implementation of long term business strategies. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by the Board which comprises experienced and high calibre individuals (including executive directors, non-executive director and independent non-executive Directors). The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Corporate Governance Report (continued)

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

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

The Articles of Association of the Company provides that:

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

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

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

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

All the directors of the Company have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. The Company has convened one general meeting, other than the annual general meeting, during the year under review and all the directors (including most of the independent non-executive directors) except those mentioned below were present in the general meeting and the annual general meeting for exchanging views with the shareholders.

Due to commitment in the mainland China, Messrs. Guo Yong and Zheng Xuexuan and Madam Fan Hsu Lai Tai, Rita, were unable to attend the general meeting of the Company held on 5 May 2015 and Messrs. Guo Yong, Zheng Xuexuan and Wong Ying Ho, Kennedy were unable to attend the annual general meeting of the Company held on 16 June 2015. Thus, the Company has not complied with the whole Code Provision A.6.7.

(C) THE BOARD OF DIRECTORS

C(a) Board Composition

The names of the directors of the Company are set out in the "Directors" section of the "Report of Directors" of this report.

Rule 3.10(A) of the Listing Rules require the number of Independent Non-Executive directors representing at least one-third of the Board. Due to the resignation of Dr. Wong Ying Ho, Kennedy ("**Dr. Wong**") as an Independent Non-Executive director of the Company, the number of Independent Non-Executive directors in our company is lower than the requirement set out in Rule 3.10(A) of the Listing Rules. On 27 October 2015, due to the change in the number of directors in the Board, the number of Independent Non-Executive director reached at least one-third of the Board and thus complied with the requirement of Rule 3.10(A) of the Listing Rules. During the year, there are minimum three Independent Non-Executive directors in our company and one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has formal letters of appointment for all directors setting out the key terms and conditions of their appointment. Accordingly, the Company has complied with the requirements of Rules 3.10(1), 3.10(2) of the Listing Rules and Code Provision D.1.4 throughout the year, and complied with the requirements of Rule 3.10(A) of the Listing Rules during most of the time in the year.

The Company has one female director who is an Independent Non-Executive Director and has served the Board and the Board Committees since 2009.

The Directors' biographical information (including their gender, age, educational background, professional experience, knowledge, culture and length of service) and the relationships among the Directors, if any, are set out on pages 72 to 76 of the annual report.

The Board believes that the balance between Executive and Non-Executive Directors (including Independent Non-Executive Directors) is reasonable and adequate to provide sufficient checks and balances to safeguard the interests of shareholders, other stakeholders and the Group. Besides, the board composition (with different genders, ages, educational backgrounds, professional experiences, knowledge, cultures and lengths of service) is well diversified to bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions to corporate issues and establishes a good base for the sustainable development of the Group.

C(b) Confirmation of Independence

The Company has received from Mr. Lam Kwong Siu, Dr. Fan Hsu Lai Tai, Rita and Mr. Li Man Bun, Brian David, the Independent Non-Executive Directors, an annual written confirmation of independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

Pursuant to the Code Provision A.4.3, serving more than nine years could be relevant to the determination of a Non-Executive Director's independence. Despite Mr. Lam Kwong Siu has been serving as Independent Non-Executive Director for more than nine years, the Directors are of the opinion that all the Independent Non-Executive Directors of the Company still have the required character, integrity, independence and experience to fulfill the role of an Independent Non-Executive Director. The Directors recognize that there is no evidence that length of tenure is having an adverse impact on the independence of the Independent Non-Executive Director and the Directors are not aware of any circumstances that might influence Mr. Lam in exercising his independent judgement. Based on the aforesaid, the Directors form the view that each and every of the Independent Non-Executive Directors of the Company will continue to maintain an independent view of the Company's affairs despite his/her length of service, and will continue to bring his/her relevant experience and knowledge to the Board.

Corporate Governance Report (continued)

C(c) Directors Training

Pursuant to the Code Provision A.6.5, the Company has received from the below directors, being all directors at the year end date, a record of the training they received for the year 2015.

	Ways of Training	
Name	Read Materials	Attend Seminars/Briefings
Executive Directors		
Mr. Hao Jian Min	Yes	Yes
Mr. Xiao Xiao	Yes	–
Mr. Chen Yi	Yes	–
Mr. Luo Liang	Yes	–
Mr. Nip Yun Wing	Yes	Yes
Non-executive Director		
Mr. Zheng Xuexuan	Yes	–
Independent Non-executive Directors		
Mr. Lam Kwong Siu	Yes	Yes
Dr. Fan Hsu Lai Tai, Rita	Yes	Yes
Mr. Li Man Bun, Brian David	Yes	Yes

Corporate Governance Report (continued)

C(d) Responsibilities and Division of Work

The Board is responsible for leading the Group's development, establishing the Group's strategic goals, by formulating overall strategies and policies of the Company to ensure the availability of financial and other resources necessary for the Group to achieve pre-set strategic goals. The Board is also responsible for performing the Corporate Governance duties set out in the terms of reference in Code Provision D.3.1 (include the determining of the corporate governance policy of the Company) and supervising the work of the management and reviewing business performance of the Company.

The different duties and roles of the Chairman of the Board (the "**Chairman**") and the Chief Executive Officer have been clearly defined since Mr. Hao Jian Min was appointed Chief Executive Officer in June 2007. The Chairman is responsible for providing leadership in the Board to set strategies and achieve the Group's goals and his duties include: primarily responsible for ensuring that good corporate governance practices and procedures are established, overseeing and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; ensuring the availability of accurate, timely and clear information to induce effective contribution from the Board members; encouraging directors with different views to voice their concerns; allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus; promoting a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors; monitoring the execution of the Board's resolutions; and maintaining effective communication with shareholders. The Chief Executive Officer, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementing the strategies laid down by the Board. The management performs their duties in managing the actual operations of businesses. Mr. Hao was appointed Chairman of the Company on 6 August 2013 and was then responsible for both the duties of Chairman and Chief Executive Officer.

The functions of non-executive directors include participating in board meetings of the Company to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; taking the lead where potential conflicts of interests arise; serving on the audit, remuneration, nomination and other governance committees, if invited; and scrutinising the Group's performance in achieving agreed corporate goals and objectives, and monitoring the performance reporting.

During the year, with the non-executive directors duly discharged their duties as mentioned above, the Board has duly discharged the aforementioned duties including the Corporate Governance duties. Other than reviewing the Company's compliance with the Code Provisions and relevant disclosure, the Board has updated the model code for securities transactions by directors and relevant employees and has adopted a board diversity policy and an inside information disclosure policy. Other than that, the Board has provided strategic guidance on the operation of the Company, reviewed and supervised the implementation of all lines of businesses.

C(e) Directors' Responsibilities for the Financial Statements

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group's consolidated financial statements based on their audit, particulars please refer to the "Independent Auditor's Report" section of this report. The Board should ensure such financial statements should give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard of this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

(D) RISK MANAGEMENT AND INTERNAL CONTROL

With an aim to safeguard the shareholders' investment and the Group's assets, the Board recognized that it is responsible for: (1) evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives; (2) ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems; (3) overseeing management in the design, implementation and monitoring of the risk management and internal control systems; and (4) cause the management to provide a confirmation to the Board on the effectiveness of these systems.

During the year, the Board conducted periodic reviews of the Group's internal control system, including financial, operational and compliance controls, and risk management functions.

The internal control system is designed to provide reasonable assurance that there is no material misstatement or loss, to manage risks relating to failure in operational systems and to ensure achievement of the Group's objectives.

The Internal Audit Department performs regular audit reviews and report of the key controls of the Group to the Board and the Audit Committee. The responsible Department Heads will be notified of the control deficiencies noted for rectification.

During the year, in compliance with the Code Provision, the Board continuously reviews the effectiveness of the Company's system of internal control (including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function). The Company has initiated actions to further improve and strengthen its internal control effectiveness by paying greater attention to the management of operational, business and policy risks, and by applying functional and organisational mechanisms to conduct and evaluate relative analysis.

(E) BOARD MEETINGS AND COMMITTEE MEETINGS

The Board convenes meetings on a regular basis. The date of each meeting is decided in advance to enable the Directors to attend the meetings in person. Draft notice and agenda were sent to all Directors for comments 7 days before formal notices were issued so as to allow the Directors sufficient time to propose matters for inclusion in the agenda. To ensure that all Directors are properly informed on matters to be discussed at each meeting, documents in relation to the meeting are sent to each Director at least 3 days prior to the meeting.

All Directors have access to the Company Secretary and are entitled to secretarial services so as to ensure full compliance with the procedures of Board meetings and all applicable rules. If the relevant corporate governance regulations have been changed, the Company Secretary will keep the Board updated of such changes.

Corporate Governance Report (continued)

Minutes of meetings of the Board and the subordinate committees are prepared and maintained by the Company Secretary. Drafts of the minutes of the meeting are sent to the Directors who have attended the meeting for their comments within a reasonable time after each meeting, while the final version is filed for records. Minutes of meetings of the Board and the subordinate committees are available for inspection by all Directors. In order to perform their duties, the Directors are entitled to seek independent professional advice through the Chairman, at the Company's expense.

Whenever a transaction is considered at a Board meeting, the Directors are required to declare their respective interests involved in the first Board Meeting where such transaction is being considered, and the interested Director shall absent from such meeting and abstain from voting when appropriate. If the interest is considered by the Board to be material, the Board will ensure that an adequate number of independent directors (i.e. directors who, and whose associates, have no material interest in the transaction) are involved in the consideration of the relevant resolutions, and the interested director(s) will abstain from voting. Besides, the matter will be discussed in a physical meeting, as opposed to being dealt with by written resolution.

(F) THE COMMITTEES OF THE BOARD

As part of good corporate governance, an Audit Committee, a Remuneration Committee and a Nomination Committee have been established.

These Committees are composed of all Independent Non-Executive Directors whose independent judgements are important to the execution of the controls and corporate governance standards expected of a publicly listed company. Each Committee has its own specific delegated authorities and operates within defined terms of reference; these terms of reference have been posted on the Company's website at http://www.coli.com.hk and are updated from time to time. All Committees report to the Board in relation to their decisions, findings or recommendations.

F(a) Audit Committee

The Audit Committee is composed as follows:

Mr. Li Man Bun, Brian David* *(Committee Chairman)*
Mr. Lam Kwong Siu*
Dr. Fan Hsu Lai Tai, Rita*

* Independent Non-Executive Director

The main duties of the Audit Committee are to review financial information of the Company, to monitor the integrity of financial statements, financial reports and accounts, to examine and review matters such as the financial control, internal control and risk management system of the Company, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to approve the remuneration and terms of engagement of the external auditors and to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors. During the year, the Audit Committee has duly discharged the above duties.

Corporate Governance Report (continued)

F(b) Remuneration Committee

The Remuneration Committee is composed as follows:

Mr. Lam Kwong Siu* *(Committee Chairman)*
Dr. Fan Hsu Lai Tai, Rita*
Mr. Li Man Bun, Brian David*

* Independent Non-Executive Director

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, determining the remuneration of all Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-Executive Directors. During the year, the Remuneration Committee has duly discharged the above duties.

F(c) Nomination Committee

The Nomination Committee is composed as follows:

Dr. Fan Hsu Lai Tai, Rita* *(Committee Chairman)*
Mr. Lam Kwong Siu*
Mr. Li Man Bun, Brian David*

* Independent Non-Executive Director

The Nomination Committee is mainly responsible for making recommendations to the Board on matters related to the appointment or re-appointment of Directors and succession planning for directors as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-Executive Directors.

The Board has adopted a Board Diversity Policy, effected on 6 August 2013, which provided that selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, educational background, professional experience, knowledge, culture and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review such policy, as appropriate, to ensure the effectiveness of the policy and will make recommendation to the Board of the amendment of the policy where necessary. The Board's composition under diversified perspectives are set out in the C(a) section of this report.

During the year, the Nomination Committee has duly discharged the above duties. The procedures and the process and criteria regarding Appointment, Election and Removal of directors together with the Board Diversity Policy are available on the Company's website for the information of shareholders.

Corporate Governance Report (continued)

(G) ATTENDANCE AT BOARD MEETINGS, COMMITTEE MEETINGS AND SHAREHOLDERS' MEETINGS DURING THE YEAR 2015

	Number of meetings attended/ Number of meetings held during the term of office					
Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	General Meeting
Executive Directors						
Mr. Hao Jian Min	9/9	N/A	N/A	N/A	1/1	1/1
Mr. Xiao Xiao	9/9	N/A	N/A	N/A	1/1	1/1
Mr. Chen Yi	9/9	N/A	N/A	N/A	1/1	1/1
Mr. Luo Liang	7/9	N/A	N/A	N/A	1/1	1/1
Mr. Nip Yun Wing	9/9	N/A	N/A	N/A	1/1	1/1
Mr. Guo Yong (resigned on 27 Oct 2015)	2/8	N/A	N/A	N/A	0/1	0/1
Mr. Kan Hongbo (resigned on 27 Oct 2015)	5/8	N/A	N/A	N/A	1/1	1/1
Non-executive Director						
Mr. Zheng Xuexuan	7/9	N/A	N/A	N/A	0/1	0/1
Independent Non-executive Directors						
Mr. Lam Kwong Siu	9/9	5/5	2/3	2/3	1/1	1/1
Dr. Wong Ying Ho, Kennedy (resigned on 3 Aug 2015)	4/4	3/3	2/2	1/1	0/1	1/1
Dr. Fan Hsu Lai Tai, Rita	9/9	5/5	3/3	3/3	1/1	0/1
Mr. Li Man Bun, Brian David	9/9	5/5	3/3	3/3	1/1	1/1

(H) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on governing securities transactions by directors (the "**Securities Code**") on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The directors have confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2015.

Corporate Governance Report (continued)

(I) AUDITORS' REMUNERATION

The Audit Committee is responsible for overseeing the independence of its external auditors including the provision of non-audit services. None of the Audit Committee members is a former partner of the external auditors.

PricewaterhouseCoopers was appointed as the external auditor ("**External Auditor**") with shareholders' approval at the last AGM. Auditors' Remuneration during the year are set out in note 12 to the financial statements. An analysis of which are as below:

(a)	Amount paid to External Auditor		
	(i)	for audit services	HK$9,900,000
	(ii)	for other services, including reports relating to the issuance of guaranteed notes payable, accounting advisory, continuing connected transactions, compliance of financial undertakings and preliminary announcement	HK$1,608,000
	(iii)	for services in respect of the distribution in specie of China Overseas Property Holdings Limited ("**COPL**") which is borne by COPL	HK$7,700,000
(b)	Amount paid to other auditors for report relating to assessment and advisory service of intendance, audit department and for reports relating to the issuance of notes payable		HK$2,247,000

(J) SENIOR MANAGEMENT

The list of senior management and their respective interests in shares of the Company as at 31 December 2015 are set out below:

Name of senior management	Number of shares held	Percentage of issued share capital#
Mr. Dong Daping	34,353	0.000%
Mr. Lin Xiaofeng	1,271,825	0.013%
Mr. Zhang Yi	1,095	0.000%
Mr. Qi Dapeng	–	0.000%
Mr. Guo Yong	200,000	0.002%
Mr. Kan Hongbo	696,800	0.007%
Mr. Ouyang Guoxin	–	0.000%
Mrs. Sheng Ye	–	0.000%
Mrs. Xu Xin	–	0.000%
Mr. Chen Lie	–	0.000%
Mr. Xu Wendong	–	0.000%
Mr. Zhuang Yong	–	0.000%
Mr. Liu Xianyong	–	0.000%
Mr. Guo Guanghui	–	0.000%
Mr. Han Chunling	–	0.000%
Total	2,204,073	0.022%

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2015 (9,860,581,381 ordinary shares).

Biographical details of above senior management are set out on pages 77 to 78 of the report.

(K) RELATIONS WITH SHAREHOLDERS

K(a) Substantial Shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2015 are set out in the "Substantial Shareholders' Interests in Securities" section of "Report of Directors" of this report.

K(b) Annual General Meeting and Communication with Shareholders

The Company is keen to promote two-way communications with both of its institutional investors and its private shareholders while the AGM provides a useful platform for shareholders to exchange views with the Board.

As such, the Company has made every endeavour to follow the "Guide on General Meetings" issued by the Stock Exchange in preparing for the meetings. An AGM circular containing Notice of AGM was distributed to all shareholders at least 20 clear business days prior to the AGM, setting out details of each proposed resolution and other relevant information as required by the Listing Rules. A proxy form offering two-way voting on all resolutions had been sent to all registered shareholders together with the Notice of General Meeting. For investors' convenience, the Notice of Meeting and the Proxy Form had been submitted to the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.coli.com.hk for publication on the same date one immediately after another carrying the appropriate headline category required by the Listing Rules. Clear guidance to assist shareholders in completing the proxy form was stated therein. Directors and the external auditor are present at the AGM to answer any questions raised by shareholders. Directors were re-elected by means of a separate resolution in the AGM. A separate resolution was proposed in respect of other substantially separate issue. The voting on all resolutions was conducted by way of poll and an explanation of the detailed procedures for conducting a poll is given and questions in relation thereto be answered before the poll is taken. The poll results were posted on the website of the Stock Exchange and the Company's website soon after the close of the AGM.

The Company communicates with its shareholders through the general meeting and the publication of annual reports, interim reports, results announcements and releases. All such documents to shareholders were available on the Company's website. For any queries, shareholders and investors may raise in the general meeting or send their enquiries to the Company (particulars please refer to the K(c)(b) section below).

K(c) Shareholders' Rights

(a) Procedures for Shareholders to Convene a General Meeting

Shareholder(s) of the Company can request the directors to convene a general meeting in pursuance of section 566 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) by following the below:

(i) one or more shareholder(s) in aggregate holding not less than 5% of the total voting rights of the Company carrying the right to vote at general meetings sending requests(s) to the Company in hard copy form or in electronic form;

(ii) such request(s):

(1) must state the general nature of the business to be dealt with at the meeting;

(2) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

Corporate Governance Report (continued)

(3) may consist of several documents in like form; and

(4) must be authenticated by the person or persons making it.

(b) Procedures for Shareholders to Direct their Enquiry to the Board

The "Corporate and Shareholders' Information" of this annual report provides the registered address of the Company and the email address, fax number and telephone number of the Investor Relations team to facilitate the shareholders to address their concerns or enquiries to the Company's Board at any time. Please mark for the attention of the Company Secretary in the Incoming letters or e-mail.

(c) Procedures for Putting Forward Proposals at Shareholders' Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a shareholders' meeting are set out in the Corporate Governance section of the Company's website.

(ii) Shareholder(s) can request the Company to circulate a statement (or notice of a resolution that may properly be moved and is intended to be moved at the annual general meeting) to members of the company entitled to receive notice of a general meeting (or annual general meeting, where applicable), in pursuance of section 580 (or section 615, in the case of annual general meeting) of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), subject to below:

(1) The statement should be of not more than 1000 words and with respect to:

(a) a matter mentioned in a proposed resolution to be dealt with at that meeting; or

(b) other business to be dealt with at that meeting.

(2) Each shareholder may only request the Company to circulate:

(a) One such statement with respect to the resolution mentioned in (1)(a) above; and

(b) One such statement with respect to the other business mentioned in (1)(b) above.

(3) Such request(s) have to be sent by the shareholders who have a relevant right to vote and fulfils the below conditions:

(a) Shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote; or

(b) At least 50 shareholders.

Corporate Governance Report (continued)

Relevant right to vote means:

(a) In relation to a statement with respect to a matter mentioned in a proposed resolution, a right to vote on that resolution at the meeting to which the requests relate;

(b) In relation to any other statement, a right to vote at the meeting to which the requests relate; and

(c) In relation to notice of a resolution, a right to vote on the resolution at the annual general meeting to which the requests relate.

(4) Such request(s):

(a) May be sent to the company in hard copy form or in electronic form;

(b) Must identify the statement (or notice, in the case of annual general meeting) to be circulated;

(c) Must be authenticated by the person or persons making it; and

(d) Must be received by the Company:

(aa) at least 7 days before the general meeting to which it relates;

(bb) not later than 6 weeks before the annual general meeting to which the requests relate; or if later, not later than the time at which notice is given of that meeting.

K(d) Articles of Association

There is no change in the Articles of Association of the Company during the year. A copy of the latest version is available on the website of the Stock Exchange and the Company's website.

(L) COMPANY SECRETARY

Mr. Keith Cheung, the named Company Secretary of the Company since 1992 (i.e. the year in which the Company was listed in Hong Kong) is a full-time partner of Mayer Brown JSM, the legal adviser of the Company. Mr. Cheung has confirmed to the Company that he has complied with Rule 3.29 of the Listing Rules.

The primary corporate contact person of the Company related to company secretarial matters is Ms. Connie Chiang, Assistant Company Secretary of the Company.

(M) FINANCIAL CALENDAR

Particulars of the financial calendar are set out in the "Shareholders' Information and Financial Calendar" section of this report.

Report of Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The Company is principally engaged in investment holding and provision of finance, treasury and management services to its subsidiaries. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 48, 19 and 20 respectively to the financial statements.

An analysis of the Group's performance by segment is set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 142 and 143 respectively.

An interim dividend of HK20 cents per share was paid on 25 September 2015. The board of directors recommends the payment of a final dividend of HK41 cents per share (2014: HK35 cents per share) to shareholders whose names appear on the Register of Members of the Company on 12 May 2016. Together with the interim dividend of HK20 cents per share (2014: HK20 cents per share) and the special interim dividend of HK31 cents per share through the distribution in specie of shares in China Overseas Property Holdings Limited, dividends for the year will amount to a total of HK92 cents per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 31 May 2016.

RESERVES

Movements during the year in the reserves of the Group and of the Company (including but not limited to distributable reserves) are set out in the consolidated statement of changes in equity on page 147 and note 47 to the financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 239 and 240.

MAJOR PROPERTIES

Details of the major property development and property investment of the Group at 31 December 2015 are set out on pages 52, 53, 58, 59 and 61.

TANGIBLE FIXED ASSETS

The Group's investment properties were revalued at the reporting date. The revaluation resulted in a net increase in fair value of HK$7,445,280,000 which has been credited directly to the consolidated income statement.

Details of the movement in investment properties and movements in property, plant and equipment of the Company and the Group during the year are set out in notes 16 and 17 respectively to the financial statements.

SHARES ISSUED

Details of the shares issued by the Company during the year are set out in note 33 to the financial statements.

DEBENTURES ISSUED

During the year, the Company did not issue any debentures, details of the debentures issued by the subsidiaries of the Company are set out in note 35 to the financial statements. These debentures are issued by the non-Hong Kong subsidiaries of the Company.

EQUITY-LINKED AGREEMENTS

For the year under review, the Company has not entered into any equity-linked agreement.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BORROWINGS AND INTEREST CAPITALISED

Analysis of bank borrowings and notes payable are set out in notes 34 and 35 respectively to the financial statements.

Interest capitalised by the Group during the year in respect of property development and investment properties under construction amounted to approximately HK$5,185,164,000 including the effect of capitalisation of exchange difference of HK$1,160,000,000.

DIRECTORS

(a) Directors of the Company

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Hao Jian Min	*(Chairman and Chief Executive Officer)*
Mr. Xiao Xiao	*(Vice Chairman)*
Mr. Chen Yi	(resigned w.e.f. 19 January 2016)
Mr. Luo Liang	
Mr. Nip Yun Wing	
Mr. Guo Yong	(resigned w.e.f. 27 October 2015)
Mr. Kan Hongbo	(resigned w.e.f. 27 October 2015)

Non-executive Director

Mr. Zheng Xuexuan

Independent Non-executive Directors

Mr. Lam Kwong Siu	
Dr. Wong Ying Ho, Kennedy	(resigned w.e.f. 3 August 2015)
Dr. Fan Hsu Lai Tai, Rita	
Mr. Li Man Bun, Brian David	

In accordance with Article 105(1) of the Company's Articles of Association, Mr. Xiao Xiao, Mr. Luo Liang and Mr. Li Man Bun, Brian David shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Report of Directors (continued)

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

The Company confirmed that it has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Company still considers the independent non-executive directors to be independent.

No director proposed for re-election at the forthcoming Annual General Meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

The Company has not received any notice in writing from any directors resigned during the year and up to the date of this report, specifying that the resignation is due to reasons relating to the affairs of the Company. Each of the resigned directors has confirmed to the Company that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

(b) Directors of the subsidiaries of the Company

The list of directors of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at http://www.coli.com.hk under the "Corporate Governance" section.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Information regarding directors' emoluments and senior management's emoluments are set out in notes 13 and 45(b) to the financial statements. Mr. Nip Yun Wing's fixed remuneration been changed to HK$3,204,000 per annum due to the increase of his monthly salary from 1 February, 2016. The annual salaries of other directors remain unchanged.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Organisation" on pages 72 to 78 of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2015, the Directors, the Chief Executive of the Company and their respective associates had the following interests in the Shares and underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) Long Positions in Shares and Underlying Shares of the Company

(all being personal interest and being held in the capacity of beneficial owner)

Name of director	Number of shares held	% of shares in issue *(Note 1)*
Mr. Hao Jian Min	3,353,172	0.0340%
Mr. Li Man Bun, Brian David	5,460,000	0.0554%

Report of Directors (continued)

(b) Long Positions in Shares and Underlying Shares of the Associated Corporation

(all being personal interest and being held in the capacity of beneficial owner)

Name of director	Number of shares held	% of shares in issue *(Notes 3, 4 and 5)*
— China State Construction Engineering Corporation Limited		
Mr. Zheng Xuexuan	360,000	0.001%
Mr. Chen Yi	320,000	0.001%
— China Overseas Property Holdings Limited		
Mr. Hao Jian Min	1,117,724	0.034%
Mr. Li Man Bun, Brian David	1,820,000	0.055%
— China Overseas Grand Oceans Group Limited		
Mr. Luo Liang	70,000	0.003%

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2015 (i.e. 9,860,581,381 shares).

2. The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 31 December 2015 (i.e. 4,056,314,622 shares).

3. The percentage has been adjusted, based on the total number of shares of China State Construction Engineering Corporation Limited in issue as at 31 December 2015 (i.e. 30,000,000,000 shares).

4. The percentage has been adjusted based on the total number of shares of China Overseas Property Holdings Limited in issue as at 31 December 2015 (i.e. 3,286,860,460 shares).

5. The percentage has been adjusted based on the total number of shares of China Overseas Grand Oceans Group Limited in issue as at 31 December 2015 (i.e. 2,282,239,894 shares).

Besides, Messrs. Xiao Xiao and Luo Liang held respectively 2,838,525 and 3,531,469 shares in China State Construction International Holdings Limited ("**CSCIHL**"), associated corporation of the Company, representing 0.070% and 0.087% of shares in issue of CSCIHL (particulars refer to Note 2 above). All of the shares of CSCIHL held by the directors are being personal interest and being held in the capacity of beneficial owner.

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2015, any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Report of Directors (continued)

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to existing Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Messrs. Hao Jian Min, Xiao Xiao, Chen Yi (resigned w.e.f. 19 January 2016), Zheng Xuexuan, Luo Liang, Guo Yong (resigned w.e.f. 27 October 2015) and Kan Hongbo (resigned w.e.f. 27 October 2015) held directorships in the Company's ultimate holding company, China State Construction Engineering Corporation ("**CSCEC**"), and/or its subsidiaries/associated companies, which are engaged in construction, property development and property investment and related business.

As the board of directors of the Group operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the businesses of these companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2015, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	**Number of shares and underlying shares held**			**% of shares in issue** *(Note 1)*			**Capacity**
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
Silver Lot Development Limited ("**Silver Lot**")	509,136,928	–	–	5.16%	–	–	Beneficial owner
China Overseas Holdings Limited ("**COHL**") *(Note 2)*	5,523,986,255	280,124,096 *(Note 4)*	–	56.02%	2.84%	–	Beneficial owner
	509,136,928	175,690,923 *(Note 5)*	–	5.16%	1.78%	–	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("**CSCECL**") *(Note 3)*	6,033,123,183	280,124,096 *(Note 4)*	–	61.18%	2.84%	–	Interest of controlled corporation
		175,690,923 *(Note 5)*			1.78%		
China State Construction Engineering Corporation ("**CSCEC**") *(Note 3)*	6,033,123,183	280,124,096 *(Note 4)*	–	61.18%	2.84%	–	Interest of controlled corporation
		175,690,923 *(Note 5)*			1.78%		
JP Morgan Chase & Co.	139,684,314	15,871,725	301,299,173	5.99%	0.16%	3.05%	Beneficial owner
	150,189,269	–	–				Investment manager
	301,299,173	–	–				— Custodian corporation/ approved lending agent

Report of Directors (continued)

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2015 (i.e. 9,860,581,381 shares).

2. Silver Lot is a direct wholly owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.

3. COHL is a direct wholly owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.

4. The issue of the new bond which is exchangeable to 280,124,096 shares of the Company by another subsidiary of COHL was completed on 5 January 2016.

5. The old bond which is exchangeable to 175,690,923 shares of the Company were fully redeemed by the issuer on 5 January 2016 and 14 January 2016 respectively.

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2015, the five largest customers of the Group accounted for less than 30% of the Group's turnover. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

CONNECTED, CONTINUING CONNECTED, RELATED PARTY TRANSACTIONS AND DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of the connected, continuing connected and related party transactions are set out on pages 117 to 139.

Save as the related party transactions disclosed in note 45 to the financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENT POLICY, BASIS OF DETERMINING EMOLUMENT TO DIRECTORS AND RETIREMENT BENEFIT SCHEME

Subject to the compliance with relevant rules and regulations, the Company implements an emolument and benefit system comprised of basic salary, incentive bonus and employee benefits. The emolument and employee benefits are reviewed at appropriate time, with reference to both the annual survey on the industry's remuneration level and the Company's operating performance. The emoluments of the directors are determined by reference to the industry's remuneration level, the Company's operating performance and the respective responsibilities and performances of the Directors.

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately HK$97 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Report of Directors (continued)

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately HK$14,986,000.

AUDIT COMMITTEE

The principal duties of the Audit Committee are the review of the internal controls and financial reporting requirements of the Group. The members of the Audit Committee have been satisfied with the Company's internal control procedures and the financial reporting disclosures.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 96 to 108.

BUSINESS REVIEW

The business review of the Group (see notes below) are set out in the following sections of this annual report:

(i) Group Financial Summary;

(ii) Chairman's Statement;

(iii) Management Discussion and Analysis;

(iv) Corporate Social Responsibility; and

(v) Note 6 to the Financial Statements.

Notes:

The business review includes the below information as required by schedule 5 of the Companies Ordinance:

(a) A fair review of the Company's business;

(b) A description of the principal risks and uncertainties facing the Company;

(c) An indication of likely future development in the Company's business;

(d) An analysis using financial key performance indicators;

(e) A discussion on:

(i) The Company's environmental policies and performance; and

(ii) The Company's compliance with the relevant laws and regulations that have a significant impact on the Company; and

(f) An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends.

Report of Directors (continued)

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that every Director, former Director, other officer or other former officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has maintained appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year under review.

AUDITOR

Messrs. PricewaterhouseCoopers ("**PwC**") has acted as auditor of the Company since year 2012.

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint PwC as auditor of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in note 46 to the financial statements.

On behalf of the Board

Hao Jian Min
Chairman and Chief Executive Officer

Hong Kong, 18 March 2016

Connected, Continuing Connected and Related Party Transactions

Definitions

In this section, the following expressions have the following meanings unless the context requires otherwise:

"associate(s)", "connected person(s)", "subsidiary"	the terms "associate(s)", "connected person(s)" and "subsidiary" shall have the meanings as defined in the Listing Rules
"Board"	the board of Directors
"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, over 50% of the issued share capital of the Company
"COLI" or "Company"	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688)
"COLI Group" or "Group"	the Company and its subsidiaries from time to time
"CSC"	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability on 25 March 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSC Group"	CSC and its subsidiaries
"CSCEC"	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company and CSC
"CSCECL"	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (the shares of which are listed on the Shanghai Stock Exchange on 29 July 2009) which holds the entire interest of COHL and is held as to 94% by CSCEC before 27 July 2009, and above 52.64% thereafter
"CSCECL Group"	CSCECL and its subsidiaries (excluding the Company, CSC and their respective subsidiaries) from time to time
"Directors"	the directors of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Independent Shareholders"	the shareholders of the Company, other than CSCEC, CSCECL, COHL, CSC and their respective associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

Connected, Continuing Connected and Related Party Transactions (continued)

"Macau"	the Macao Special Administrative Region of PRC
"Main Board"	the Main Board of the Stock Exchange
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of PRC
"Shareholders"	the shareholders of the Company from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

During the year under review, the Group entered into the following connected transactions or continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules or which have been approved by independent shareholders in pursuance of Rule 14A.36 of the Listing Rules:

(1) ***Master CSC Group Engagement Agreement (dated 18 May 2012),***
Master Lease Agreement (dated 18 May 2012),
Master Security Services Agreement (dated 18 May 2012), and
Master Heating Pipes Connection Services Agreement (dated 18 May 2012)

The following agreements were entered into with CSC on 18 May 2012 to replace those previous agreements in relation to continuing connected transactions which have been expired on 30 June 2012 and 31 December 2012:

(a) an engagement agreement in respect of the engagement of the CSC Group by the COLI Group as construction contractor for the COLI Group in the PRC, Hong Kong and Macau ("**Master CSC Group Engagement Agreement**");

(b) an agreement in respect of the leasing of properties by the CSC Group from the COLI Group ("**Master Lease Agreement**");

(c) an agreement in respect of the engagement of members of the COLI Group which hold the relevant licenses by the CSC Group for providing security services to the work sites of the CSC Group in Hong Kong ("**Master Security Services Agreement**"); and

(d) an agreement in relation to the provision of heating pipes connection services for real estate project(s), which is (are) located in Shenyang, developed by the COLI Group ("**Project(s)**") ("**Master Heating Pipes Connection Services Agreement**").

Connected, Continuing Connected and Related Party Transactions (continued)

Particulars of the aforementioned agreements are as follows:

Name of Agreement	Parties	Announcement Date	Period	Annual Cap should not exceed
Master CSC Group Engagement Agreement (see New Master CSC Group Engagement Agreement of (5) below)	The Company and CSC	18 May 2012	1 July 2012 to 31 December 2012	HK$400 million
			1 January 2013 to 31 December 2013	HK$800 million
			1 January 2014 to 31 December 2014	HK$800 million
			1 January 2015 to 30 June 2015	HK$400 million
Master Lease Agreement	The Company and CSC	18 May 2012	1 July 2012 to 31 December 2012	HK$9 million
			1 January 2013 to 31 December 2013	HK$18 million
			1 January 2014 to 31 December 2014	HK$18 million
			1 January 2015 to 30 June 2015	HK$9 million
Master Security Services Agreement	The Company and CSC	18 May 2012	1 July 2012 to 31 December 2012	HK$25 million
			1 January 2013 to 31 December 2013	HK$50 million
			1 January 2014 to 31 December 2014	HK$50 million
			1 January 2015 to 30 June 2015	HK$25 million
Master Heating Pipes Connection Services Agreement	The Company and CSC	18 May 2012	1 January 2013 to 31 December 2013	HK$100 million
			1 January 2014 to 31 December 2014	HK$100 million
			1 January 2015 to 31 December 2015	HK$100 million

The Directors consider that continuing to engage the CSC Group as construction contractor upon successful tender allows the COLI Group to secure a more diverse base of contractors to participate in the construction works of the COLI Group. Pursuant to the Master CSC Group Engagement Agreement, the Group may engage the CSC Group as construction contractor in the PRC, Hong Kong and Macau upon successful tender for three years and subject to the cap as shown in the table above.

The Directors believe that continuing to be able to lease properties to the CSC Group provide steady sources of revenues to the COLI Group. Pursuant to the Master Lease Agreement, members of the CSC Group may lease properties from members of the Group for three years and subject to the cap as shown in the table above.

Connected, Continuing Connected and Related Party Transactions (continued)

The Directors believe that continuing to provide security services to the work sites of the CSC Group in Hong Kong upon successful tender allows the COLI Group to secure a more diverse base of customers for its security services. Pursuant to the Master Security Services Agreement, members of the Group with the relevant licenses to provide security services in Hong Kong may provide security services to the work sites of the CSC Group upon successful tender for three years and subject to the cap as shown in the table above.

The COLI Group has a number of real estate projects in Shenyang and locations of some of such projects are within the coverage areas where 瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermoelectricity Company Limited ("**SHTCL**"), a company incorporated in the PRC and is a wholly-owned subsidiary of CSC) is capable to provide connection services for heating pipes. Pursuant to the Master Heating Pipes Connection Services Agreement, CSC (through SHTCL) shall provide connection services for heating pipes for the Project(s), within three years and subject to the cap as shown in the table above, by entering into further implementation agreements, which set out the detailed terms in relation to connection services for heating pipes for the Project(s). The terms under further implementation agreements will be negotiated on an arm's length basis between the parties. Services to be provided under this Master Heating Pipes Connection Services Agreement involve the connection of sets of heating pipes, which will allow the provision of heat to residential and commercial buildings from thermal plants.

COHL is interested in approximately 53.2% of the issued share capital of the Company and approximately 61.9% of the issued share capital of CSC as at the date of the relevant agreement. Accordingly, members of the CSC Group are connected persons of the Company and members of the COLI Group are connected persons of CSC. The transactions contemplated under each of the Master CSC Group Engagement Agreement, the Master Security Services Agreement, the Master Lease Agreement and the Master Heating Pipes Connection Services Agreement constitute continuing connected transactions for both the Company and CSC under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules as at the date of the announcement in respect of the maximum total contract sum that may be awarded for each year/period under each of the Master CSC Group Engagement Agreement (i.e. the Construction Works Cap), the Master Security Services Agreement (i.e. the Security Services Cap) and the Master Heating Pipes Connection Services Agreement (i.e. the Connection Services Cap) is less than 5%, respectively, the transactions contemplated under each of the Master CSC Group Engagement Agreement, the Master Security Services Agreement and the Master Heating Pipes Connection Services Agreement, respectively, are subject only to the annual review, reporting and announcement requirements, and are exempt from the independent shareholders' approval requirement.

In addition, since each of the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules as at the date of the announcement in respect of the maximum aggregate rental (exclusive of rates, government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) payable by the CSC Group to the COLI Group for each year/period under the Master Lease Agreement (i.e. the Lease Cap) is less than 0.1%, the transactions contemplated under the Master Lease Agreement are exempt from the annual review, reporting, announcement and the independent shareholders' approval requirements. The disclosure herein in relation to the Master Lease Agreement is made on a voluntary basis by the Company.

No Director has a material interest in the transactions contemplated under each of the Master CSC Group Engagement Agreement, the Master Security Services Agreement, the Master Heating Pipes Connection Services Agreement or the Master Lease Agreement, respectively, nor is required to abstain from voting on the board resolution(s) approving the transactions contemplated under each of the Master CSC Group Engagement Agreement, the Master Security Services Agreement, the Master Heating Pipes Connection Services Agreement or the Master Lease Agreement, respectively.

During the period from 1 January 2015 to 30 June 2015, the rental paid by the CSC Group under the Master Lease Agreement was HK$6.7 million (2014: HK$14.8 million) which did not exceed the cap of HK$9 million.

Connected, Continuing Connected and Related Party Transactions (continued)

During the period from 1 January 2015 to 30 June 2015, the total contract sum awarded by the CSC Group to the Group under the Master Security Services Agreement was HK$2.2 million (2014: HK$3.2 million) which did not exceed the cap of HK$25 million.

During the year, the total contract sum awarded to CSC under the Master Heating Pipes Connection Services Agreement was HK$32.8 million (2014: HK$34.0 million) which did not exceed the cap of HK$100 million.

In order to revise the caps for the continuing connected transactions under the Master CSC Group Engagement Agreement and to renew the transactions thereunder, a new master agreement effective from 1 January 2015 been entered into by the same parties to the agreement on 31 October 2014, particulars as per paragraph (5) below.

(2) ***Master CSCECL Group Engagement Agreement (dated 15 April 2013)***

The following agreement was entered into with CSCECL on 15 April 2013 to replace the previous agreement in relation to continuing connected transactions which has been expired on 30 June 2013:

— an engagement agreement in respect of the engagement of the CSCECL Group by the COLI Group as construction contractor for the COLI Group in Mainland China ("**Master CSCECL Group Engagement Agreement**");

Particulars of the aforementioned agreement are as follows:

Name of Agreement	Parties	Announcement Date	Period	Annual Cap should not exceed
Master CSCECL Group Engagement Agreement	The Company and CSCECL	15 April 2013	1 July 2013 to 31 December 2013	RMB2,500 million
			1 January 2014 to 31 December 2014	RMB5,000 million
			1 January 2015 to 31 December 2015	RMB5,000 million
			1 January 2016 to 30 June 2016	RMB2,500 million

CSCECL is a contractor mainly engages in building construction, international contracting, real estate development and investment, infrastructure construction and investment and provision of design and prospecting services. It has a vast network of construction subsidiaries in the Mainland China. The Master CSCECL Group Engagement Agreement provides the Group with the option to engage the CSCECL Group (subject to successful tender) as contractor providing Construction Related Services to the Group's projects in the Mainland China, subject to the Cap.

CSCECL is the intermediate holding company of the Company. Accordingly, members of the CSCECL Group are connected persons of the Company. The transactions contemplated under the Master CSCECL Group Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules as at the date of the announcement calculated for the Company in respect of the maximum total contract sum that may be awarded to the CSCECL Group for each year/period under the Master CSCECL Group Engagement Agreement, i.e. the Cap, exceed 5%, the Continuing Connected Transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates have been abstained from voting at the EGM.

Connected, Continuing Connected and Related Party Transactions (continued)

Further details of the Master CSCECL Group Engagement Agreement, the Cap and the continuing connected transactions contemplated thereunder were given in a circular to Shareholders dated 6 May 2013. Approval by Independent Shareholders of such agreement and transactions was duly obtained at the extraordinary general meeting held on 30 May 2013. The extraordinary general meeting has been conducted by poll and CSCECL and its associates have abstained from voting.

During the year, the total contract sum awarded to the CSCECL Group under the Master CSCECL Group Engagement Agreement was RMB2,455.8 million (2014: RMB2,196.8 million) which did not exceed the cap of RMB5,000 million.

(3) ***Master Design Consultancy Services Agreement (dated 19 August 2013)***

On 19 August 2013, CSC and the Company entered into the Master Design Consultancy Services Agreement, whereby the CSC Group may engage 香港華藝設計顧問（深圳）有限公司 (Hong Kong Huayi Design Consultants (Shenzhen) Ltd) ("**Huayi**") (a company established under the laws of the People's Republic of China with limited liability and a wholly-owned subsidiary of the Company) as provider of design consultancy services to the CSC Group's building construction works in the Mainland China upon successful tender for a term of three years commencing from 1 September 2013 and ending on 31 August 2016, subject to the maximum contract sum as shown in the table below.

It is expected that the maximum contract sum awarded by CSC Group to Huayi under the Master Design Consultancy Services Agreement will be as follows:

Period	**Maximum contract sum that may be awarded by CSC Group to Huayi shall not exceed**
For the period between 1 September 2013 and 31 December 2013	RMB85,000,000
For the period between 1 January 2014 and 31 December 2014	RMB130,000,000
For the period between 1 January 2015 and 31 December 2015	RMB130,000,000
For the period between 1 January 2016 and 31 August 2016	RMB130,000,000

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy businesses. The Group is principally engaged in investment holding, property investment and property development.

The Directors believe that continuing to provide design consultancy services to the CSC Group's building construction works in the Mainland China (upon successful tender) allows Huayi to secure a more diverse base of customers for its design consultancy services.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the Master Design Consultancy Services Agreement (together with the maximum contract sum) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Continuing Connected Transactions (together with the maximum contract sum) are fair and reasonable and in the interests of the shareholders as a whole.

CSCEC is the ultimate controlling shareholder of both CSC and the Company. Accordingly, members of the CSC Group are connected persons of the Company and members of the Group are connected persons of CSC. The transactions contemplated under the Master Design Consultancy Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Connected, Continuing Connected and Related Party Transactions (continued)

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules as at the date of the announcement calculated for the Company in respect of the maximum aggregate value of the contract sum for each of the relevant year/period under the contracts for provision of Design Consultancy Services awarded or to be awarded by the CSC Group to Huayi as contemplated under the Master Design Consultancy Services Agreement is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the annual review, reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the year, the total contract sum awarded to Huayi under the Master Design Consultancy Services Agreement was nil (2014: nil) which did not exceed the cap of RMB130 million.

(4) ***Entrusted Management Agreement (dated 28 January 2014)***

On 28 January 2014, the Company and CSCECL entered into the Entrusted Management Agreement. Pursuant to the Entrusted Management Agreement, CSCECL agreed to entrust the Company to provide management services to the 24 subsidiaries of CSCECL established in the PRC which principally engage in real estate development and property management businesses and being responsible for operating all the real estate development business intended to be injected into the Company ("**Entrusted Companies**") for a term of three years ending on 31 December 2016. Such management services are in respect of the business operation and administration and include developing real estate projects of the Entrusted Companies under the existing brands and intellectual properties owned by the Company. The commencement of the term for the purpose of determining the management fees under the Entrusted Management Agreement ("**Entrusted Management Fees**") payable has been agreed to be 1 January 2014.

It is expected that maximum fee for the provision of management services by the Company to the Entrusted Companies under the Entrusted Management Agreement will be as follows:

Period	**Maximum fee for the provision of management services by the Company to the Entrusted Companies (i.e. the annual cap)**
For the period between 1 January 2014 and 31 December 2014	HK$100,000,000
For the period between 1 January 2015 and 31 December 2015	HK$100,000,000
For the period between 1 January 2016 and 31 December 2016	HK$100,000,000

The Entrusted Management Fees are determined after arm's length negotiation between the Company and CSCECL with reference to the following:

(1) the total amount of Entrusted Management Fees shall include a fixed annual management fee and an annual fee for the use of the existing brands or other intellectual properties owned by the Company;

(2) the fixed annual management fee shall be HK$1 million for each of the Entrusted Companies, representing fee payable for the provision of high level and professional guidance and supervision by the senior management of the Company to enhance the business operation and administration of the relevant Entrusted Companies; and

(3) the annual fee for the use of the existing brands or other intellectual properties owned by the Company shall be calculated based on 1% of the annual turnover of each of the Entrusted Companies which uses such brands or intellectual properties.

Connected, Continuing Connected and Related Party Transactions (continued)

The Entrusted Management Fees for each year shall be payable by each of the Entrusted Companies to the Company or its designated wholly-owned subsidiary(ies) by the end of March of the following year. In the event of any late payment, the paying parties shall also be liable to pay a daily default fee in an amount equal to 0.05% of the Entrusted Management Fees payable.

With effect from the date of signing of the Entrusted Management Agreement, CSCECL agreed (i) to procure that, during the term of the Entrusted Management Agreement, the Entrusted Companies shall principally engage in operating and maintaining their existing business; (ii) in principle not to engage itself in new directly-operated ordinary real estate development business, which excludes those real estate development business operated by its various subsidiary construction bureaus and design institutes; and (iii) to work out specific internal management policies to avoid competition in the PRC real estate businesses, with the overriding principle that priority will be given to the Group while promoting cooperation within the CSCECL Group.

If any of the Entrusted Companies have been injected or sold to the Group, or if over 90% of the saleable areas of the projects undertaken by any of the Entrusted Companies has been delivered to purchasers, the provision of management services to those particular Entrusted Companies shall be terminated. The Entrusted Management Agreement shall terminate upon, amongst other things, the termination of the management services to all the Entrusted Companies.

The Group is principally engaged in investment holding, property investment and property development. CSCECL is a conglomerate mainly engages in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting. It has a huge network of subsidiaries in the PRC.

As disclosed in the prior announcement dated 5 August 2013 ("**Prior Announcement**"), CSCECL had intended to (i) inject into the Company the real estate development business operated by the real estate business department of CSCECL, China State Construction Land Company Ltd. and China State Construction International Company Ltd. (i.e. the business being operated by the Entrusted Companies); or (ii) to the extent that the underlying lands and real estate development projects of such business are not injected into the Company by way of sale, entrust the Company with the management of such business.

In view of the complications involved in obtaining approval from the various relevant PRC governmental authorities and conducting thorough due diligence exercise in relation to the intended asset injection, it is expected that the implementation of the asset injection as referred to in the Prior Announcement will take more time than originally contemplated. The Company and CSCECL agreed to enter into the Entrustment Management Agreement at this stage. This interim arrangement will be beneficial to both parties in finalising the intended asset injection by CSCECL to the Company. Furthermore, since CSCECL agreed to resolve internal competition between the CSCECL Group and the Group in relation to any PRC real estate businesses in accordance with the ways as disclosed above, it is also beneficial to the long-term sustainable development of the Group.

The Directors (including the independent non-executive Directors) consider that the Entrusted Management Agreement is entered into in the ordinary and usual course of business of the Group after arm's length negotiation between the parties and the terms of the Entrusted Management Agreement (together with the maximum fee) are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

CSCECL is the controlling shareholder of the Company. Accordingly, CSCECL is a connected person of the Company. The transactions contemplated under the Entrusted Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Connected, Continuing Connected and Related Party Transactions (continued)

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules as at the date of the announcement calculated for the Company in respect of the maximum fee for the provision of management services to the Entrusted Companies for each year under the Entrusted Management Agreement are more than 0.1% but less than 5%, the Entrusted Management Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the year, the total Entrusted Management Fee payable by the Entrusted Companies to the Group under the Entrusted Management Agreement was HK$8.3 million (2014: HK$100 million) which did not exceed the cap of HK$100 million.

(5) ***New Master CSC Group Engagement Agreement (dated 31 October 2014)***

In order to revise the caps for the continuing connected transactions under the Master CSC Group Engagement Agreement dated 18 May 2012, and to renew the transactions thereunder, the following agreement was entered into by the Company with CSC on 31 October 2014 and parties agreed to terminate the previous Master CSC Group Engagement Agreement upon the taking effect of the New Master CSC Group Engagement Agreement on 1 January 2015:

— an engagement agreement in respect of the engagement of the CSC Group by the COLI Group as construction contractor for the COLI Group in the PRC, Hong Kong and Macau ("**New Master CSC Group Engagement Agreement**");

Particulars of the aforementioned new agreement are as follows:

Name of Agreement	Parties	Announcement Date	Period	Annual Cap should not exceed
New Master CSC Group Engagement Agreement	The Company and CSC	31 October 2014	1 January 2015 to 31 December 2015	HK$3,000 million
			1 January 2016 to 31 December 2016	HK$3,000 million
			1 January 2017 to 31 December 2017	HK$3,000 million

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses.

The Directors consider that engaging the CSC Group as construction contractor upon successful tender allows the Group to secure a more diverse base of contractors to participate in the construction works of the Group.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the New Master CSC Group Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the New Master CSC Group Engagement Agreement (together with the Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the New Master CSC Group Engagement Agreement (together with the Cap) are fair and reasonable and in the interests of the Company and shareholders of the Company as a whole.

COHL is interested in approximately 53.18% of the issued share capital of the Company and approximately 57% of the issued share capital of CSC as at the date of the announcement. Accordingly, members of the Group are connected persons of the CSC Group and members of the CSC Group are connected persons of the Group. The transactions contemplated under the New Master CSC Group Engagement Agreement between members of the Group on the one hand and members of the CSC Group on the other hand, constitute continuing connected transactions for both CSC and the Company under Chapter 14A of the Listing Rules.

Connected, Continuing Connected and Related Party Transactions (continued)

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be granted for each year under the New Master CSC Group Engagement Agreement (i.e. the Cap) are more than 0.1% but less than 5%, the transactions contemplated under the New Master CSC Group Engagement Agreement are subject to the annual review, reporting and announcement requirements but are exempt from the independent shareholders' approval requirement. No Director has a material interest in the transactions contemplated under the New Master CSC Group Engagement Agreement, nor is required to abstain from voting on the board resolution approving the transactions contemplated under the New Master CSC Group Engagement Agreement.

During the year, the total contract sum awarded to the CSCECL Group under the New Master CSCECL Group Engagement Agreement was HK$2,891.7 million which did not exceed the cap of HK$3,000 million.

(6) ***The Sale and Purchase Agreement (dated 24 March 2015)***
The Share Subscription Agreement (dated 24 March 2015)

A Sale and Purchase Agreement and a Share Subscription Agreement were entered into with COHL on 24 March 2015 in relation to (i) acquisition of property portfolio from CSCECL Group (the "**Acquisition**") and (ii) issue of new shares to COHL (the "**Share Subscription**") (the Acquisition and the Share Subscription collectively the "**Transactions**"). Major terms and conditions (including condition precedent) of these 2 Agreements have been disclosed in the announcement of the Company dated 24 March 2015, the below are extracted for reference:

The Sale and Purchase Agreement (dated 24 March 2015)

Parties

(a) Alpha Progress Global Limited (as the Buyer);

(b) King Praise Limited (as the Seller);

(c) the Company (as the guarantor of the Buyer); and

(d) COHL (as the guarantor of the Seller).

Subject Matter

The Buyer has agreed to acquire and the Seller has agreed to sell the entire issued share capital of the Target Company, subject to the terms and conditions (including condition precedent) of the Sale and Purchase Agreement.

Target Company

Celestial Domain Investments Limited (the "**Target Company**") is an investment holding company incorporated in the British Virgin Islands, which indirectly holds interests in the Entrusted Companies (as defined in paragraph (4) of this report) and other property projects. The Target Group (refers to the Target Company, its subsidiaries, joint ventures and associate) holds a portfolio of 27 property projects in various cities in the Mainland China and 3 property projects located in London in the United Kingdom (particulars please refer to the announcement published on 24 March 2015).

Consideration

The consideration is RMB1,823,928,427 (equivalent to approximately HK$2,308.8 million), which shall be settled by the Buyer at the completion of the Acquisition ("**Acquisition Completion**") with internal resources of the Company.

Connected, Continuing Connected and Related Party Transactions (continued)

Basis of the Consideration

The consideration was determined after arm's length negotiation among the parties to the Sale and Purchase Agreement, taking into account, among other things, the quality and size of the property portfolio held by the Target Company and the reassessed net assets value attributable to the shareholders of the Target Company.

Others

The Buyer will also assume, through the Target Group, the CSCECL Loans (refer to the outstanding loans owing by the Target Group to the CSCECL Group as at the Acquisition Completion) owing by the Target Group to the CSCECL Group upon the Acquisition Completion.

To support the Company's real estate development business, CSCECL provided non-compete undertakings in favour of the Company ("**the CSCECL Non-Compete Undertakings**") , pursuant to which CSCECL undertakes to the Company that, after Acquisition Completion and for so long as COHL holds more than 50% of the issued shares of the Company, it will in principle not, other than through the enlarged Group upon the Acquisition Completion, engage itself in any new directly-operated ordinary real estate development business in the Mainland China, Hong Kong, Macau and London, save and except for certain real estate development business operated by its various subsidiary construction bureaus and design institutes. CSCECL also undertakes to work out specific internal management policies to avoid competition with the Company in the Mainland China, Hong Kong, Macau and London real estate business, with the principle that priority will be given to the Company while promoting cooperation within the CSCECL Group.

The Share Subscription Agreement (dated 24 March 2015)

Parties

(a) The Company (as the issuer); and

(b) COHL (as the subscriber).

Subject Matter

COHL has agreed to subscribe, and the Company has agreed to issue, a total of 1,686,605,875 new shares of the Company ("**Subscription Shares**") at the subscription price of HK$25.38 per Subscription Share, subject to the terms and conditions (including condition precedent) of the Share Subscription Agreement.

Subscription Price

The Subscription Price is HK$25.38 per Subscription Share, and the total Subscription Consideration is HK$42,806,057,107.50 (equivalent to approximately RMB33,816.8 million).

The Subscription Price was arrived at after arm's length negotiations between the Company and COHL with reference to, amongst other things, the recent trading prices of the Shares.

The Subscription Consideration will be payable by COHL to the Company in cash upon the Subscription Completion.

Connected, Continuing Connected and Related Party Transactions (continued)

Reasons for and the Benefits of the Transactions

The Transactions would have the benefits of consolidating the directly operated real estate business of the CSCECL Group with the Group, coupled with the CSCECL Non-Compete Undertakings, making the Company the primary listed platform of CSCECL's property development business.

The Transactions would reinforce the Group's position as the leading property developer in the Mainland China by complementing the Group's nationwide land reserve, adding sizable saleable resources and stable rental income to the Group, and strengthening the Company's capital structure. Leveraging on the Group's competitive advantage in brand and management, together with dedicated and full support from CSCECL, the Transactions will create value for the Shareholders.

Implications of the Transactions under the Listing Rules

COHL, the direct controlling shareholder of the Company, which, together with its wholly-owned subsidiary Silver Lot Development Limited, held 53.18% of the issued share capital of the Company as at the date of the relevant agreements, is a connected person of the Company. The Seller is a wholly-owned subsidiary of COHL and therefore an associate of a connected person of the Company. As such, the Acquisition and Share Subscription shall each constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios of each of the Acquisition and the Share Subscription exceed 5% but are less than 25%, (i) the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules; and (ii) the Share Subscription constitutes a connected transaction under Chapter 14A of the Listing Rules, which are subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Shareholders' Approval

The Circular dated 17 April 2015 containing, among other things, (i) further information on the Transactions; (ii) the advice of the Independent Financial Advisor regarding the Transactions; (iii) the recommendation of the Independent Board Committee regarding the Transactions; (iv) the property valuation report of the properties of the Target Group; and (v) the notice convening the general meeting and a proxy form, were despatched to the shareholders of the Company in pursuance of the requirement of the Listing Rules.

Approval by Independent Shareholders of such agreements and transactions was duly obtained at the general meeting held on 5 May 2015. The general meeting has been conducted by poll and China Overseas Holdings Limited (being a direct controlling shareholder of the Company) and its associates (including its wholly-owned subsidiary, Silver Lot Development Limited) have abstained from voting.

Completion of the Acquisition

All the conditions precedent set out in the Sale and Purchase Agreement have been fulfilled and the Acquisition Completion has taken place on 7 May 2015. Upon Acquisition Completion, the Target Company has ceased to be a direct subsidiary of the Seller and has become an indirect wholly-owned subsidiary of the Company.

Completion of the Share Subscription

The Acquisition Completion together with other conditions precedent set out in the Share Subscription Agreement have all been fulfilled and the Subscription Completion has taken place on 18 May 2015. After Subscription Completion, COHL, together with its wholly-owned subsidiary, Silver Lot Development Limited, are interested in 6,033,123,183 Shares (representing approximately 61.18% of the then total issued share capital of the Company as enlarged by the Subscription Shares).

Connected, Continuing Connected and Related Party Transactions (continued)

(7) ***JV Agreement (dated 18 September 2015)***

On 18 September, 2015, China Overseas Property Group Co. Ltd. (a company established in the Mainland China with limited liability and a wholly-owned subsidiary of the Company) ("**CO Property**") and 深圳海龍建築製品有限公司 (a company established in the Mainland China with limited liability and a wholly-owned subsidiary of CSC) ("**Shenzhen Hailong**") entered into an agreement for the capital injection by Shenzhen Hailong into the JV Company and the management of the JV Company (as defined below) (" **JV Agreement**"), pursuant to which Shenzhen Hailong agreed to contribute RMB2.5 million (equivalent to approximately HK$3.0 million) ("**Capital Increase Amount**") for the increase in registered capital ("**Capital Increase**") of 深圳市毅駿房地產開發有限公司 (a company established in the Mainland China with limited liability and a wholly-owned subsidiary of the Company as at the date of the announcement) ("**JV Company**"). Following the Capital Increase, the registered capital of the JV Company will be increased from RMB10.0 million (equivalent to approximately HK$12.2 million) to RMB12.5 million (equivalent to approximately HK$15.2 million), and the JV Company will be owned as to 80% and 20% by CO Property and Shenzhen Hailong, respectively. The JV Agreement also sets out matters in relation to the management of the JV Company.

The Capital Increase Amount is determined with reference to the existing net assets of the JV Company.

Information about the JV Company and the Land

The JV Company is a limited liability company established in the Mainland China with a registered capital of RMB10.0 million (equivalent to approximately HK$12.2 million) and wholly-owned by the Company at the date of signing the JV Agreement. The JV Company is principally engaged in the property development and owns a parcel of land ("**Land**"), particulars as below.

The Land is situated at Guiyuan Street, Lowu district of Shenzhen, the PRC and has a site area of approximately 47,000 square metres and a gross floor area of approximately 256,000 square metres (of which approximately 144,000 square metres shall be allocated for the construction of relocation housing). The Land is planned for residential use, and it is intended to construct residential premises as well as ancillary facilities such as nurseries on the Land. Based on current construction plans, the estimated total investment amount for the construction and development of residential premises on the Land is approximately RMB2,100.0 million (equivalent to approximately HK$2,561.0 million). The consideration paid for the acquisition of the Land is RMB888.0 million (equivalent to approximately HK$1,082.9 million).

As the JV Company is newly incorporated in 2015, no financial information for the past two financial years is available. The unaudited net asset value of the JV Company as at 30 June 2015 was RMB10.0 million (equivalent to approximately HK$12.2 million).

Funding

Shenzhen Hailong has paid an amount of RMB177.6 million (equivalent to approximately HK$216.6 million) (determined by multiplying the consideration payable for the Land by the 20% equity interest to be held by Shenzhen Hailong in the JV Company) as earnest money for co-investment in the Land ("**Earnest Money**"). Following the completion of the Capital Increase, the Earnest Money shall be converted into shareholders loan due by the JV Company to Shenzhen Hailong.

Any additional funding requirements of the JV Company shall first be satisfied by external fund-raising. In the event that the JV Company is unable to raise sufficient funds for its operations, the JV Company may by notice in writing request CO Property and Shenzhen Hailong to advance shareholders' loans to the JV Company in proportion to their respective equity interest in the JV Company.

The JV Company shall promptly repay the shareholders' loans and distribute proceeds to its shareholders when excess profits are generated.

Connected, Continuing Connected and Related Party Transactions (continued)

Possible engagement of Shenzhen Hailong

The parties acknowledged that the JV Company may invite Shenzhen Hailong to tender for the JV Company's construction works in respect of the Land. In the event that Shenzhen Hailong is awarded the construction contract, such contract shall be on normal commercial terms and in compliance with the terms of the New Master CSC Group Engagement Agreement (particulars as per paragraph (5) above) and the requirements of the Listing Rules.

Financial impact on the Company

Following completion of the Capital Increase, the JV Company shall be owned as to 80% and 20% by CO Property and Shenzhen Hailong, respectively. The JV Company shall be accounted for as a subsidiary by the Company and as an associate by CSC. The profit/loss in respect of the JV Company shall be shared by CO Property and Shenzhen Hailong in proportion to their respective equity interests in the JV Company.

The entering into of the JV Agreement and the transactions contemplated thereunder ("**JV Transactions**") results in a deemed disposal by the Company of 20% equity interest in the JV Company. Since the consideration for the aforesaid deemed disposal, being the Capital Increase Amount, is payable by Shenzhen Hailong to the JV Company as its contribution towards the registered capital of the JV Company, the COLI Group does not receive any proceeds for the disposal. Since the consideration payable by Shenzhen Hailong in respect of the 20% equity interest in the JV Company is determined at cost, the Company did not incur any gain or loss as a result of the deemed disposal.

Reasons and benefits of the JV Transactions

CO Property is principally engaged in the property development and investment holding in the Mainland China.

Shenzhen Hailong is principally engaged in the research and development, design and production of precast elements, such as internal and external walls, staircases, balconies, kitchen and bathroom facilities for industrialised residential housing, and has during the past 20 years been supplying construction products for numerous construction projects in Hong Kong and the Mainland China.

The COLI Group is principally engaged in property development and investment, real estate agency and management, and treasury operations.

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses.

The COLI Group has extensive experience in property development in the PRC, whereas the CSC Group possesses precast production capabilities which are complementary to the development of the Land. The Directors believe that the cooperation under the JV Agreement will bring synergy to the COLI Group ,which would in turn be beneficial to the development of the Land.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Connected, Continuing Connected and Related Party Transactions (continued)

Listing Rules implications

COHL is a controlling shareholder of both the Company and CSC by virtue of being interested in approximately 61.2% of the issued share capital of the Company and approximately 57.6% of the issued share capital of CSC as at the date of the announcement. Accordingly, CO Property (being a wholly-owned subsidiary of the Company) is a connected person of CSC and Shenzhen Hailong (being a wholly-owned subsidiary of CSC) is a connected person of the Company. The JV Transactions constitute connected transactions for each of the Company and CSC under Chapter 14A of the Listing Rules. Since certain of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated for the Company in respect of the JV Transactions exceed 0.1% but all are less than 5%, the JV Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors has a material interest in the JV Transactions, no Director is required to abstain from voting on the board resolution(s) approving the JV Transactions.

(8) ***Master Property Management Services Agreement (dated 9 October 2015)***
Master Engineering Services Agreement (dated 9 October 2015)

Following the spin-off and separate listing of the shares of China Overseas Property Holdings Limited (中海物業集團有限公司) (formerly known as China Overseas Management Services (International) Limited (中國海外管理服務(國際)有限公司), a company incorporated as an exempted company in the Cayman Islands on 26 June 2006, whose shares are listed on the Main Board of the Stock Exchange (stock code: 02669) ("**COPL**") on 23 October 2015), COPL has become a subsidiary of COHL, a substantial shareholder of both the Company and COPL. Accordingly, the Group and COPL and its subsidiaries from time to time ("**COPL Group**") are connected persons of each other. As a result, the existing transactions with COPL Group in respect of the provision of property management services and engineering services, in aggregate, have become non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors expected that:

(a) the Group would continue to engage COPL Group to provide property management services to the Group's residential communities and commercial properties in the Mainland China, Hong Kong and Macau; and

(b) the Group would continue to engage the designated engineering services operating subsidiary(ies) of COPL in the Mainland China as its sub-contractor(s) for the provision of engineering services, including automation projects, specialised engineering, repair and maintenance and upgrade projects of equipment and machinery to the Group's residential communities and commercial properties in the Mainland China from time to time.

In this respect, the Company and COPL entered into the following agreements on 9 October 2015:

(a) a framework agreement in respect of engaging COPL Group to provide property management services to the Group's residential communities and commercial properties in the Mainland China, Hong Kong and Macau ("**Master Property Management Services Agreement**").

(b) a framework agreement in respect of engaging the designated engineering services operating subsidiary(ies) of COPL in the Mainland China to provide engineering services, including automation projects, specialised engineering, repair and maintenance and upgrade projects of equipment and machinery to the Group's residential communities and commercial properties in the Mainland China from time to time ("**Master Engineering Services Agreement**").

Connected, Continuing Connected and Related Party Transactions (continued)

Particulars of the aforementioned agreements are as follows:

Name of Agreement	Parties	Announcement Date	Year/Period	Annual Cap should not exceed
Master Property Management Services Agreement	The Company and COPL	9 October 2015	1 June 2015 to 31 December 2015	HK$264.4 million
			1 January 2016 to 31 December 2016	HK$405.0 million
			1 January 2017 to 31 December 2017	HK$462.5 million
			1 January 2018 and 31 May 2018	HK$210.0 million
Master Engineering Services Agreement	The Company and COPL	9 October 2015	1 June 2015 to 31 December 2015	HK$25.5 million
			1 January 2016 to 31 December 2016	HK$29.8 million
			1 January 2017 to 31 December 2017	HK$31.6 million
			1 January 2018 and 31 May 2018	HK$14.0 million

The annual cap of the Master Property Management Services Agreement ("**Property Management Services Cap**") mentioned in the above table refers to the maximum total amount paid/payable for property management services by the Group to COPL Group for each year/period under the Master Property Management Services Agreement.

Each of the Property Management Services Cap under the Master Property Management Service Agreement comprise, among others, the following components:

(i) property management service for display units;

(ii) delivery inspection service;

(iii) property management service for residential and commercial properties;

(iv) pre-delivery services; and

(v) consultancy service.

Connected, Continuing Connected and Related Party Transactions (continued)

The annual cap of the Master Engineering Services Agreement ("**Engineering Services Cap**") mentioned in the above table refers to the maximum total amount paid/payable for engineering services by the Group to COPL Group for each year/period under the Master Engineering Services Agreement.

The Property Management Services Cap and the Engineering Services Cap collectively refer to "**the Caps**".

MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT — PRICING

Under the Master Property Management Services Agreement, the prices and terms of the contracts for the provision of property management services shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those granted to other service providers of the Group who are independent third parties.

Pricing basis of the tenders granted by the Group

COPL Group will need to go through a tender process before being selected and appointed as service provider of the Group. The prices and terms of COPL Group's tenders submitted to the Group are subject to a standard and systematic tender procedure maintained by the Group, which applies to tenders from both connected persons and independent third parties, so as to ensure that the prices and terms of the tenders granted by the Group to COPL Group are no more favourable than those granted to independent third parties.

Tender Process in the Mainland China

Below set out the major steps and requirements of the tender process regulated by the applicable laws, regulations and local policies in the Mainland China for initial property management service engagements in the Mainland China in general.

1. Drawing up of Invitation to Tender documents: The property developer is responsible for drawing up specification and requirements for a tender, based on a typical invitation to tender template and the specific requirements for a property development project.

2. Filing of Invitation to Tender with the Relevant Local Authority: In order to make an invitation to tender ("**Invitation to Tender**"), all relevant documents are required to be submitted and filed with the competent real estate administration department of the government of the Mainland China ("**Relevant Local Authority(ies)**") in advance.

3. Issue of Open and Restricted Tenders: The Invitation to Tender is required to be published by way of a public notice in the press or media for an open tender or sent to no less than three selected property management service providers for a restricted tender.

4. Pre-qualification: Bidders will be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.

5. Preparation of tender: Bidders prepare the tender documents in accordance with the timetable stipulated in the Invitation to Tender, taking into account the specification and requirements as set out in the Invitation to Tender, and physical due diligence of the property.

6. Tender submission: When the tender documents are ready for submission, they are required to contain information on the proposed pricing, proposal and plan for property management, and other corporate information as specified in the Invitation to Tender.

Connected, Continuing Connected and Related Party Transactions (continued)

7. Tender evaluation: The tender evaluation process and the composition of the tender evaluation committee must comply with the relevant requirements under laws and regulations of the Mainland China. The tender evaluation committee shall comprise an odd number of five or more members and at least two-thirds of the members must be property management experts selected on a random basis from a list compiled by the Relevant Local Authority.

8. Award: The tender evaluation committee shall evaluate the tender based on the specification and requirement of the Invitation to Tender with the view to ranking the top three recommended bidders. The property developer will confirm the winner and proceed to arrange for necessary notification.

9. Contract signing and filing: The property management contract so awarded is expected to be signed within 30 days of the award, and will take effect after filing with the Relevant Local Authority.

Tender Process in Hong Kong and Macau

Below set out the major steps and requirements of the tender process for property management service engagements in Hong Kong and Macau in general.

1. Formulation of approved list of property management service providers: The Group will establish its own list of approved property service providers ("**Approved List**"). The property management service provider will be subject to qualification evaluation and review including but not limited to the company's scale, financial ability, technical capability and track record in property management services rendered in Hong Kong and Macau. Suitable service providers will be included in the Approved List after vetting process.

2. Preparation of tender documents: The Group is responsible for drawing up specification and requirements for a tender, based on a typical invitation to tender template and the specific requirements for a project.

3. Invitation to Tender: Only property management service providers in the Approved List will be invited to submit tenders. The invitation to tender will be sent to no less than three property management service providers.

4. Tender submission: The tender documents with tender amount, proposal and plan for property management, and other corporate information as specified in the invitation to tender shall be submitted in a sealed envelope on or before the tender closing date as specified in the tender document.

5. Tender evaluation and award: The tenders will be opened in the presence of the person in charge and line manager of the regional office of the Group. The selection of tenders is determined by the decision-making body in a meeting where contents of the tenders, the tenderers' capability and tender amount offered are given full consideration. Once the final decision is made, a letter of award will be issued to the successful tenderer.

MASTER ENGINEERING SERVICES AGREEMENT — PRICING

Under the Master Engineering Services Agreement, the prices and terms of the contracts with respect to the engineering services shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those granted to other service providers of the Group who are independent third parties.

Connected, Continuing Connected and Related Party Transactions (continued)

Pricing basis of the tenders granted by the Group

COPL Group will need to go through a tender process before being selected and appointed as service provider of the Group. The prices and terms of COPL Group's tenders submitted to the Group are subject to a standard and systematic tender procedure maintained by the Group, which applies to tenders from both connected persons and independent third parties, so as to ensure that the prices and terms of the tenders granted by the Group to COPL Group are no more favourable than those granted to independent third parties.

Below set out the major steps and requirements of the tender process for engineering service engagements in general.

1. *Invitation for Tenders*

   (i) The Group has established its own list of approved engineering service providers, whom the Group will invite for tender submission. Engineering service providers with prior working history with the Group will be subject to suitability assessment following completion of each project of the Group and may be retained in the list depending on the assessment result. Engineering service provider without prior working history with the Group may also be included in the list depending on the result of the qualification evaluation and review conducted by the Group.

   (ii) The number of invitations for tender: the number of tenders to be invited in a project shall not be less than three.

   (iii) Selection of engineering service providers to be invited for tenders: the suitability of a engineering service provider is assessed with general reference to its qualification grade, financial ability, technical capability, cooperation record, project management ability, quality of work and business management capability. Depending on the estimated value of the contract, the person in charge and line managers of the regional office or the district office shall conduct the vetting process to select the engineering service providers to be invited to tender.

2. *Tendering and Selection of bids*

   (i) Tendering: the tender documents with price quotations shall be submitted in a sealed envelope. All tender correspondence and registration are standardised by the Group.

   (ii) Opening of tenders: the tenders will be opened in the presence of an officer from the financial department of the regional office or from the human resources department of the member of the Group. The supervising officer will execute the tendering documents which will be confirmed and signed by all parties present at the opening.

   (iii) Selection of tenders: based on the Group's established system of tendering, the winning bid will usually be the one conforming to the technical requirements with the lowest but reasonable price offered. The selection of tenders is determined collectively by the decision-making body in a meeting where contents of the proposed tender, and the engineering service provider's capability and risk of default are given full consideration. The relevant letter of award will be issued once the final decision is made in the meeting of the decision-making body based on the final tender amount.

The above tender process and steps involved may be simplified and streamlined depending on the size of the project and the amount of the expected contract amount involved.

Connected, Continuing Connected and Related Party Transactions (continued)

REASONS FOR ENTERING INTO THE MASTER PROPERTY MANAGEMENT SERVICES AGREEMENT AND THE MASTER ENGINEERING SERVICES AGREEMENT

The Group is principally engaged in the business of property development and investment and other operations.

COPL Group is one of the leading property management companies in the Mainland China with operations also covering Hong Kong and Macau and is principally engaged in property management services and value-added services.

The Master Property Management Services Agreement provides the Group with the option to engage COPL Group (subject to successful tender) as a service provider providing property management services to the Group's residential communities and commercial properties in the Mainland China, Hong Kong and Macau, subject to the Property Management Services Cap.

The Master Engineering Services Agreement provides the Group with the option to engage the designated engineering services operating subsidiary(ies) of COPL in the Mainland China (subject to successful tender) as the Group's sub-contractor(s) to provide engineering services to the Group's residential communities and commercial properties in the Mainland China, subject to the Engineering Services Cap.

The Directors (including the independent non-executive directors of the Company) consider that the continuing connected transactions contemplated under the Master Property Management Services Agreement and the Master Engineering Services Agreement are entered into in the ordinary and usual course of the business of the Group, and the Master Property Management Services Agreement and the Master Engineering Services Agreement (together with the Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of continuing connected transactions (together with the Caps) contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

Since the applicable percentage ratios as defined under Rule 14A.06 of the Listing Rules calculated for the Company in respect of the maximum total amounts paid/payable to COPL Group for each year/period under the Master Property Management Services Agreement, i.e. the Property Management Services Cap, and the maximum total amounts paid/payable to COPL Group for each year/period under the Master Engineering Services Agreement, i.e. the Engineering Services Cap, in aggregate, exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Master Property Management Services Agreement and the Master Engineering Services Agreement are subject to the annual review, reporting, announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. No Director has a material interest in the transactions contemplated under the Master Property Management Services Agreement nor the Master Engineering Services Agreement, nor is required to abstain from voting on the board resolution approving the transactions contemplated under the Master Property Management Services Agreement nor the Master Engineering Services Agreement.

Shareholders should note that the Caps represent the best estimates by the Directors of the amount of the relevant transactions based on the information currently available. The Caps bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The Group may or may not retain COPL Group to engage in property management services and/or engineering services up to the level of the respective Caps, if at all, as the engagements are subject to tender procedures which are open to other independent third party service providers.

During the period from 1 June 2015 to 31 December 2015, the aggregate of transactions under the Master Property Management Services Agreement was HK$227.3 million which did not exceed the cap of HK$264.4 million.

During the period from 1 June 2015 to 31 December 2015, the aggregate of transactions under the Master Engineering Services Agreement was HK$22.8 million which did not exceed the cap of HK$25.5 million.

Connected, Continuing Connected and Related Party Transactions (continued)

(9) ***JV Agreement (dated 2 December 2015)***

On 2 December 2015, China Overseas Property Group Co. Ltd. (a company established in the Mainland China with limited liability and a wholly-owned subsidiary of the Company) ("**CO Property**") and 深圳海龍建築製品有限公司 (a company established in the Mainland China with limited liability and a wholly-owned subsidiary of CSC) ("**Shenzhen Hailong**") entered into a project cooperation agreement ("**JV Agreement**") for the formation and the management of the joint venture company ("**Project Company**") to be established as a limited liability company pursuant to the JV Agreement. Pursuant to the JV Agreement, the parties agreed to establish the Project Company on a 50:50 basis for carrying out urban renewal project at a piece of land (particulars see "Information of the Land" below) ("**Land**") in Shenzhen.

Upon establishment, the Project Company will be accounted for as a joint venture of the Company and CSC. The profit/loss in respect of the Project Company shall be shared by CO Property and Shenzhen Hailong in proportion to their respective equity interests in the Project Company.

The Project Company shall have a registered capital of RMB10,000,000 (equivalent to approximately HK$12,195,122), which shall be contributed by each of CO Property and Shenzhen Hailong as to RMB5,000,000 (equivalent to approximately HK$6,097,561). The registered capital shall be contributed by CO Property and Shenzhen Hailong in cash into the Project Company within two weeks after the opening of the account of the Project Company. The payment to be made by each of CO Property and Shenzhen Hailong will be funded by internal resources of COLI Group and CSC Group, respectively.

The total investment amount (including the registered capital of the Project Company and the Land Consideration (definition see "Information of the Land" below)) of the urban renewal project at the Land is RMB1,500,000,000 (equivalent to approximately HK$1,829,268,293), which was determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the urban renewal project at the Land. The total investment amount shall be contributed by CO Property and Shenzhen Hailong in proportion to their respective equity interests in the Project Company (i.e. on a 50:50 basis).

CO Property shall take the lead in and Shenzhen Hailong shall fully support the financing arrangement of any additional funding requirements (other than the registered capital) of the Project Company.

Information of the Land

Upon formation of the Project Company, Shenzhen Hailong shall procure the injection of the Land to the Project Company for RMB150,000,000 (equivalent to approximately HK$182,926,829), being the amount of compensation for the transfer of the title of the Land to be received by Shenzhen Hailong ("**Land Consideration**"). The Land Consideration is determined after arm's length negotiations between the parties with reference to the amount of valuation of the Land (including buildings thereon) conducted by an independent valuer in the Mainland China, i.e. approximately RMB150,000,000 (equivalent to approximately HK$182,926,829) as at 30 September 2015.

The Land is situated at Sungang-Qingshui River Zone, Luohu District of Shenzhen, the PRC and has a site area of approximately 28,000 square metres. As at the date of the announcement, the Land was wholly owned by Shenzhen Hailong. According to the available information on hand, the expected gain of the disposal of the Land by CSC Group is approximately RMB61,000,000 (equivalent to approximately HK$74,390,244), being the difference between the Land Consideration and the book value of the Land.

*Reasons and Benefits of the entering into of the JV Agreement and the transactions contemplated thereunder ("**JV Transactions**")*

CO Property is principally engaged in the property development and investment holding in the Mainland China.

Connected, Continuing Connected and Related Party Transactions (continued)

Shenzhen Hailong is principally engaged in the research and development, design and production of precast elements, such as internal and external walls, staircases, balconies, kitchen and bathroom facilities for industrialised residential housing, and has during the past 20 years been supplying construction products for numerous construction projects in Hong Kong and the Mainland China.

The Project Company will be principally engaged in carrying out urban renewal project at the Land.

The COLI Group is principally engaged in the business of property development and investment and other operations.

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses.

The COLI Group has extensive experience in property development in the PRC, whereas the CSC Group possesses precast production capabilities which are complementary to the development of the Land. The Directors believe that the cooperation under the JV Agreement will bring synergy to the COLI Group, which would in turn be beneficial to the development of the Land.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Listing Rules implications

COHL is a controlling shareholder of both the Company and CSC. Accordingly, CO Property (being a wholly-owned subsidiary of the Company) is a connected person of CSC and Shenzhen Hailong (being a wholly-owned subsidiary of CSC) is a connected person of the Company. The JV Transactions constitute connected transactions for each of the Company and CSC under Chapter 14A of the Listing Rules. Since certain of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated for the Company in respect of the JV Transactions exceed 0.1% but all are less than 5%, the JV Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors has a material interest in the JV Transactions, no Director is required to abstain from voting on the board resolution(s) approving the JV Transactions.

Annual review and confirmation regarding continuing connected transaction in pursuance of Rule 14A.55 and 14A.56 of the Listing Rules

The independent non-executive Directors have reviewed and confirmed in pursuance of Rule 14A.55 of the Listing Rules that the continuing connected transactions contemplated above were carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected, Continuing Connected and Related Party Transactions (continued)

To comply with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter in respect of the continuing connected transactions disclosed in this section. The findings and conclusions contained therein are as below:

a. nothing has come to the attention of the Auditor of the Company that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the Auditor of the Company that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the attention of the Auditor of the Company that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the Auditor of the Company that causes him to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited 10 business days before bulk print of the report in pursuance of Rule 14A.57.

Others

The continuing connected transactions disclosed above also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 45 to the financial statements. Transactions under "Fellow subsidiaries" section of item (a) therein also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

Independent Auditor's Report

羅兵咸永道

TO THE MEMBERS OF CHINA OVERSEAS LAND & INVESTMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries set out on pages 142 to 238, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000 (Restated)
Revenue	7	**148,074,399**	138,505,187
Business tax		**(7,943,748)**	(7,547,712)
Net revenue	7	**140,130,651**	130,957,475
Direct operating costs, exclude business tax above		**(97,819,070)**	(91,647,755)
		42,311,581	39,309,720
Other income and gains, net	9	**363,789**	1,914,897
Gain arising from changes in fair value of investment properties	16	**7,445,280**	5,636,770
Gain on disposal of a subsidiary	39	**–**	735,916
Selling and distribution costs		**(2,182,176)**	(1,933,388)
Administrative expenses		**(2,030,929)**	(2,056,914)
Operating profit		**45,907,545**	43,607,001
Net gain on distribution in specie	38	**2,512,965**	–
Share of profits of			
Associates		**349,848**	700,770
Joint ventures		**626,791**	560,627
Finance costs	10	**(574,025)**	(544,767)
Profit before tax		**48,823,124**	44,323,631
Income tax expenses	11	**(14,772,254)**	(16,572,698)
Profit for the year	12	**34,050,870**	27,750,933
Attributable to:			
Owners of the Company		**33,312,083**	27,200,018
Non-controlling interests		**738,787**	550,915
		34,050,870	27,750,933
		HK$	*HK$*
EARNINGS PER SHARE			
Basic	14	**3.61**	3.33
Diluted		**3.61**	3.33

The notes on pages 150 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (Restated)
Profit for the year	**34,050,870**	27,750,933
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of the Company and its subsidiaries	**(6,384,440)**	(249,039)
Exchange differences on translation of joint ventures	**(612,811)**	(52,298)
	(6,997,251)	(301,337)
Items that may be reclassified to profit or loss		
Exchange differences on translation of associates	**(681,491)**	(21,369)
Change in fair value of investments in syndicated property project companies	**3,360**	1,966
	(678,131)	(19,403)
Other comprehensive income for the year	**(7,675,382)**	(320,740)
Total comprehensive income for the year	**26,375,488**	27,430,193
Total comprehensive income attributable to:		
Owners of the Company	**25,908,695**	26,885,543
Non-controlling interests	**466,793**	544,650
	26,375,488	27,430,193

The notes on pages 150 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000 (Restated)
Non-current Assets			
Investment properties	16	**64,057,066**	54,920,548
Deposits for acquisition of an investment property		**166,555**	–
Property, plant and equipment	17	**1,222,990**	1,377,552
Prepaid lease payments for land	18	**127,302**	147,564
Interests in associates	19	**5,589,294**	6,176,612
Interests in joint ventures	20	**9,420,805**	10,775,156
Investments in syndicated property project companies	21	**24,233**	20,873
Available-for-sale investments	21	**31,392**	47,584
Amounts due from joint ventures	22	**1,971,029**	1,895,513
Pledged bank deposits	23	**–**	67,249
Goodwill	37	**64,525**	109,021
Deferred tax assets	36	**3,011,132**	2,967,929
		85,686,323	78,505,601
Current Assets			
Inventories	24	**60,304**	80,957
Stock of properties	25	**203,182,608**	230,483,699
Land development expenditure	26	**3,158,493**	1,428,682
Prepaid lease payments for land	18	**4,022**	8,112
Trade and other receivables	27	**11,203,163**	8,449,656
Deposits and prepayments		**6,759,833**	6,289,407
Deposits for land use rights for property development		**4,492,733**	15,124,018
Amount due from a fellow subsidiary	28	**220,423**	233,215
Amounts due from associates	28	**467,295**	237,951
Amounts due from joint ventures	28	**4,453,866**	5,053,590
Amounts due from non-controlling interests	28	**893,645**	982,761
Tax prepaid		**3,282,152**	2,480,014
Cash and cash equivalents	29	**102,445,644**	59,847,580
		340,624,181	330,699,642
Assets held for sale	39	**926,165**	957,903
		341,550,346	331,657,545
Current Liabilities			
Trade and other payables	30	**34,643,922**	42,817,746
Pre-sales deposits		**47,494,710**	55,950,373
Rental and other deposits		**1,863,896**	1,748,764
Amounts due to holding companies	31	**–**	40,576,725
Amounts due to fellow subsidiaries	31	**618,156**	372,923
Amounts due to associates	31	**1,053,344**	1,243,002
Amounts due to joint ventures	31	**1,322,733**	1,686,876
Amounts due to non-controlling interests	32	**960,454**	1,029,030
Tax liabilities		**18,466,252**	21,116,314
Bank borrowings — due within one year	34	**7,269,470**	22,541,806
		113,692,937	189,083,559
Net Current Assets		**227,857,409**	142,573,986
Total Assets Less Current Liabilities		**313,543,732**	221,079,587

Consolidated Statement of Financial Position (continued)

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000 (Restated)
Capital and Reserves			
Share capital	33	**62,434,116**	19,634,031
Reserves		**129,123,409**	114,036,452
Equity attributable to owners of the Company		**191,557,525**	133,670,483
Non-controlling interests		**5,055,420**	4,886,320
Total Equity		**196,612,945**	138,556,803
Non-current Liabilities			
Bank borrowings — due after one year	34	**41,986,405**	26,638,546
Notes payable	35	**66,200,380**	48,177,442
Amounts due to non-controlling interests	32	**1,238,436**	1,321,743
Deferred tax liabilities	36	**7,505,566**	6,385,053
		116,930,787	82,522,784
		313,543,732	221,079,587

The financial statements on pages 142 to 238 were approved by the Board of Directors on 18 March 2016 and were signed on its behalf by:

Hao Jian Min
DIRECTOR

Xiao Xiao
DIRECTOR

The notes on pages 150 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Other property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Merger reserve *HK$'000*	PRC statutory reserve *HK$'000* *(Note)*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014, as previously reported	817,262	18,796,190	18,798	500	22,950	18,863	10,495,239	–	2,060,638	77,740,143	109,970,583	1,079,813	111,050,396
Acquisition of the Acquired Group *(Note 3)*	–	–	–	–	–	–	167,024	1,447,788	273,572	1,358,821	3,247,205	1,560,970	4,808,175
At 1 January 2014, as restated	817,262	18,796,190	18,798	500	22,950	18,863	10,662,263	1,447,788	2,334,210	79,098,964	113,217,788	2,640,783	115,858,571
Profit for the year	–	–	–	–	–	–	–	–	–	27,200,018	27,200,018	550,915	27,750,933
Exchange differences on translation of the Company and its subsidiaries	–	–	–	–	–	–	(242,774)	–	–	–	(242,774)	(6,265)	(249,039)
Exchange differences on translation of joint ventures	–	–	–	–	–	–	(52,298)	–	–	–	(52,298)	–	(52,298)
Exchange differences on translation of associates	–	–	–	–	–	–	(21,369)	–	–	–	(21,369)	–	(21,369)
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	1,966	–	–	–	–	1,966	–	1,966
Total comprehensive income for the year	–	–	–	–	–	1,966	(316,441)	–	–	27,200,018	26,885,543	544,650	27,430,193
Transfer on 3 March 2014	18,814,988	(18,796,190)	(18,798)	–	–	–	–	–	–	–	–	–	–
2013 final dividend paid	–	–	–	–	–	–	–	–	–	(2,370,453)	(2,370,453)	–	(2,370,453)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,925,453	1,925,453
Issue of shares upon exercise of share options	1,781	–	–	(262)	–	–	–	–	–	–	1,519	–	1,519
Share options expired	–	–	–	(238)	–	–	–	–	–	238	–	–	–
2014 interim dividend paid	–	–	–	–	–	–	–	–	–	(1,634,795)	(1,634,795)	–	(1,634,795)
Dividends paid to ultimate shareholders of the Company by the Acquired Group	–	–	–	–	–	–	–	–	–	(1,767,929)	(1,767,929)	–	(1,767,929)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(211,908)	(211,908)
Acquisition of the Acquired Group	–	–	–	–	–	–	–	(661,190)	–	–	(661,190)	–	(661,190)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(619)	–	–	619	–	–	–
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(12,658)	(12,658)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	1,030,170	(1,030,170)	–	–	–
At 31 December 2014, as restated	19,634,031	–	–	–	22,950	20,829	10,345,203	786,598	3,364,380	99,496,492	133,670,483	4,886,320	138,556,803

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2015

	Attributable to owners of the Company								Non-controlling interests HK$'000	Total HK$'000
	Share capital HK$'000	Other property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	PRC statutory reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000		
At 1 January 2015, as previously reported	19,634,031	22,950	20,829	10,179,223	–	2,874,435	100,602,115	133,333,583	3,474,112	136,807,695
Acquisition of the Acquired Group *(Note 3)*	–	–	–	165,980	786,598	489,945	(1,105,623)	336,900	1,412,208	1,749,108
At 1 January 2015, as restated	19,634,031	22,950	20,829	10,345,203	786,598	3,364,380	99,496,492	133,670,483	4,886,320	138,556,803
Profit for the year	–	–	–	–	–	–	33,312,083	33,312,083	738,787	34,050,870
Exchange differences on translation of the Company and its subsidiaries	–	–	–	(6,112,446)	–	–	–	(6,112,446)	(271,994)	(6,384,440)
Exchange differences on translation of joint ventures	–	–	–	(612,811)	–	–	–	(612,811)	–	(612,811)
Exchange differences on translation of associates	–	–	–	(681,491)	–	–	–	(681,491)	–	(681,491)
Change in fair value of investments in syndicated property project companies	–	–	3,360	–	–	–	–	3,360	–	3,360
Total comprehensive income for the year	–	–	3,360	(7,406,748)	–	–	33,312,083	25,908,695	466,793	26,375,488
2014 final dividend paid	–	–	–	–	–	–	(3,451,203)	(3,451,203)	–	(3,451,203)
Contributions from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	2,997	2,997
Issue of shares *(Note 33)*	42,800,085	–	–	–	–	–	–	42,800,085	–	42,800,085
Acquisition of the Acquired Group	–	–	–	–	(2,308,770)	–	–	(2,308,770)	–	(2,308,770)
2015 interim dividend paid	–	–	–	–	–	–	(1,972,116)	(1,972,116)	–	(1,972,116)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(213,099)	(213,099)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(87,591)	(87,591)
Transfer to PRC statutory reserve	–	–	–	–	–	860,128	(860,128)	–	–	–
Distribution in specie	–	–	–	–	–	–	(3,089,649)	(3,089,649)	–	(3,089,649)
At 31 December 2015	62,434,116	22,950	24,189	2,938,455	(1,522,172)	4,224,508	123,435,479	191,557,525	5,055,420	196,612,945

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

The notes on pages 150 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**48,823,124**	44,323,631
Adjustments for:			
Share of profits of associates		**(349,848)**	(700,770)
Share of profits of joint ventures		**(626,791)**	(560,627)
Finance costs		**574,025**	544,767
Depreciation and amortisation		**87,902**	125,717
Interest income		**(985,901)**	(685,584)
Net gain on distribution in specie		**(2,512,965)**	–
Gain arising from changes in fair value of investment properties		**(7,445,280)**	(5,636,770)
Gain on disposals of investment properties		**(91,559)**	–
Gain on disposal of a subsidiary		**–**	(735,916)
Impairment losses in respect of goodwill		**44,496**	–
(Gain)/loss on disposals of property, plant and equipment		**(2,636)**	263
Impairment of available-for-sale investments		**13,619**	–
Effect of foreign exchange rate changes		**1,160,554**	20,361
Operating cash flows before movements in working capital		**38,688,740**	36,695,072
Decrease/(increase) in inventories		**15,677**	(52,077)
Decrease/(increase) in stock of properties		**32,582,190**	(4,654,621)
(Increase)/decrease in land development expenditure		**(1,877,589)**	1,966,539
Increase in trade and other receivables, deposits and prepayments		**(4,061,092)**	(4,224,382)
Increase in deposits for land use rights for property development		**(1,147,606)**	(11,520,380)
(Increase)/decrease in restricted bank balances		**(391,137)**	363,785
Decrease in trade and other payables, pre-sales deposits, and rental and other deposits		**(9,094,412)**	(10,557,527)
Cash generated from operations		**54,714,771**	8,016,409
Income taxes paid		**(16,370,796)**	(12,264,189)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**38,343,975**	(4,247,780)
INVESTING ACTIVITIES			
Interest received		**985,901**	685,584
Dividends received from joint ventures		**613,590**	623,815
Decrease in pledged bank deposits		**63,612**	695
Purchase of property, plant and equipment		**(112,966)**	(107,480)
Additions of investment properties		**(2,306,526)**	(6,150,184)
Deposits for acquisition of an investment property		**(166,555)**	–
Increase in amount due from a fellow subsidiary		**–**	(150,117)
Repayment from/(advances to) an associate		**17,366**	(37,890)
Acquisition of subsidiaries	40	**(33,626)**	(800,893)
Advances to joint ventures		**(1,362,608)**	–
Repayment from joint ventures		**1,511,029**	878,743
Repayment from/(advances to) non-controlling interests		**35,970**	(457,076)
Capital contribution to a joint venture		**(5,995)**	(148,186)
Capital distribution from a joint venture		**760,733**	–
Dividends received from associates		**8,667**	250,452
Net proceeds on disposals of property, plant and equipment		**93,601**	14,832
Net proceeds on disposals of investment properties		**680,190**	–
Net proceeds on disposals of subsidiaries	39	**–**	929,388
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**782,383**	(4,468,317)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000 (Restated)
FINANCING ACTIVITIES			
Interest paid		**(4,210,005)**	(3,847,710)
Other finance costs paid		**(157,182)**	(122,642)
Dividends paid to owners of the Company		**(5,423,319)**	(4,005,248)
Net cash distributed in respect of distribution in specie	38	**(1,339,723)**	–
Dividends paid to non-controlling interests		**(213,099)**	(211,908)
Dividends paid to ultimate shareholders of the Company by the Acquired Group		**–**	(1,767,929)
New bank loans raised		**26,021,657**	12,383,794
Repayment of bank loans		**(24,959,192)**	(5,471,580)
Issue of shares		**42,800,085**	–
Issue of notes		**17,989,781**	15,458,447
Issue of shares upon exercise of share options		**–**	1,519
Acquisition of the Acquired Group		**(2,308,770)**	(661,190)
(Repayment to)/advances from holding companies		**(40,576,725)**	4,258,745
Contributions from non-controlling interests		**2,997**	–
Return of capital to non-controlling interests		**(87,591)**	(12,658)
(Repayment to)/advance from an associate		**(122,441)**	857,619
Advance from joint ventures		**267,876**	301,041
Repayment to joint ventures		**(540,797)**	(461,688)
Repayment to non-controlling interests		**(24,760)**	(756,646)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**7,118,792**	15,941,966
NET INCREASE IN CASH AND CASH EQUIVALENTS		**46,245,150**	7,225,869
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**58,280,945**	51,177,848
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(3,953,504)**	(122,772)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**100,572,591**	58,280,945
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**102,445,644**	59,847,580
Less: restricted bank balances	29	**(1,873,053)**	(1,566,635)
		100,572,591	58,280,945

The notes on pages 150 to 238 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's parent company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong, and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC and the PRC government is a substantial shareholder of CSCEC. The registered office and principal place of business of the Company are situated at 10th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shanghai, Beijing, Foshan, Chengdu, Nanjing, Suzhou and other regions in the PRC.

The Company's functional currency is Renminbi ("RMB"). The financial information is presented in Hong Kong dollars ("HK$") as the directors of the Company consider that HK$ is the appropriate presentation currency for the users of the Group's financial statements.

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, real estate management and treasury operations.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans — Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's results and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in Note 3. Those excluded subsidiary undertakings of the Group are disclosed in Note 20.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendment to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Annual Improvements Project	Annual Improvements 2012–2014 Cycle[1]

[1] *Effective for annual periods beginning on or after 1 January 2016*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *The mandatory effective date will be determined*

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRS(s) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, assets held for sale and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the consideration given in exchange for goods.

Application of common control combination

Acquisition of the Acquired Group

On 7 May 2015, Alpha Progress Global Limited ("Alpha Progress"), a wholly-owned subsidiary of the Company, completed the acquisition of the entire issued share capital of Celestial Domain Investments Limited and its subsidiaries (the "Acquired Group") from King Praise Limited, a wholly-owned subsidiary of COHL (the "Assets Acquisition"). The consideration of the Assets Acquisition is RMB1,824,000,000 (equivalent to approximately HK$2,308,770,000) which is determined by reference to the unaudited combined reassessed net assets value of the Acquired Group as at 31 January 2015. In addition, Alpha Progress will also assume shareholder loans of approximately RMB31,992,900,000 (equivalent to approximately HK$40,497,300,000) owing by the Acquired Group to China State Construction Engineering Corporation Limited ("CSCECL", the intermediate holding company of the Company) and its subsidiaries upon completion of the Assets Acquisition.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of Preparation *(continued)*

Application of common control combination *(continued)*

Acquisition of the Acquired Group (continued)

The Acquired Group is engaged in property development and investment and also owns 20% equity interest in an associate, 金茂投資(長沙)有限公司, and owns three joint ventures, 41% equity interest in 成都錦城中建地產開發有限公司, 50% equity interest in 成都錦府中建房地產開發有限公司 and 50% equity interest in 上海海創房地產開發有限公司 ("上海海創"), which are principally engaged in property development in the PRC. As the remaining 50% equity interest in 上海海創 is originally held by the Company prior to the Assets Acquisition, 上海海創 becomes a subsidiary of the Company after the Assets Acquisition.

As the Company and the Acquired Group were under common control of CSCECL, the transfer of the interests in the Acquired Group was considered as common control combinations. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2015, together with the comparative figures, were prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Acquired Group had been combined from the date when the Acquired Group first came under the control of the Group and CSCECL.

The following is a reconciliation of the effect arising from the Assets Acquisition which is accounted for under common control combination on the consolidated statement of financial position.

The consolidated statement of financial position as at 31 December 2014:

	The Group *HK$'000*	Effect of Acquisition of the Acquired Group *HK$'000*	Consolidated *HK$'000*
Total assets less liabilities	136,807,695	1,749,108	138,556,803
Share capital	19,634,031	–	19,634,031
Translation reserve	10,179,223	165,980	10,345,203
Merger reserve	–	786,598	786,598
Other reserves	43,779	–	43,779
PRC statutory reserve	2,874,435	489,945	3,364,380
Retained profits/(accumulated losses)	100,602,115	(1,105,623)	99,496,492
Equity attributable to owners of the Company	133,333,583	336,900	133,670,483
Non-controlling interests	3,474,112	1,412,208	4,886,320
Total equity	136,807,695	1,749,108	138,556,803

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of Preparation *(continued)*

Application of common control combination *(continued)*

Acquisition of the Acquired Group (continued)

The consolidated statement of financial position as at 31 December 2015:

	The Group HK$'000	Effect of Acquisition of the Acquired Group HK$'000	Consolidated HK$'000
Investment in the Acquired Group	2,308,770	(2,308,770)	–
Other assets less liabilities	189,017,473	7,595,472	196,612,945
Total assets less liabilities	191,326,243	5,286,702	196,612,945
Share Capital	62,434,116	–	62,434,116
Translation reserve	3,186,734	(248,279)	2,938,455
Merger reserve	–	(1,522,172)	(1,522,172)
Other reserves	47,139	–	47,139
PRC statutory reserve	3,538,956	685,552	4,224,508
Retained profits	118,802,440	4,633,039	123,435,479
Equity attributable to owners of the Company	188,009,385	3,548,140	191,557,525
Non-controlling interests	3,316,858	1,738,562	5,055,420
Total equity	191,326,243	5,286,702	196,612,945

No other significant adjustments were made by the Group during the year to the net assets and net profit or loss of any entities as a result of the common control combination to achieve consistency of accounting policies.

(b) Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

A subsidiary is an entity (including a structured entity) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in retained profits and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations — common control combinations

The consolidated financial statements incorporate the financial statement of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business Combinations — common control combinations (continued)

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

Business Combinations — acquisition method

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or when applicable, on the basis specified in another standard.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business Combinations — acquisition method (continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 "Financial Instrument Recognition and Measurement", or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Separate Financial Statements

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Cost includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Interests in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Interests in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of a joint ventures equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint ventures recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a joint venture that results in the Group losing joint control over that joint venture, any retained investment (that is not an associate) is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the joint ventures attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when it loses joint control over that joint venture.

When a group entity transacts with its joint ventures, profits and losses resulting from the transactions with the joint ventures are recognised in the Group's consolidated financial statements only to the extent of interests in the joint ventures that are not related to the Group.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management. The Group's management, who is responsible for resource allocation and assessment of performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

For a transfer from stock of properties to investment properties (which is evidenced by commencement of an operating leases) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Property, Plant and Equipment

Property, plant and equipment including land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated and the company statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasehold Land and Building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments for land” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Impairment losses on Tangible and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Assets Held for Sale

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, joint ventures and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are classified into loans and receivables, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, fellow subsidiary, associates, joint ventures and non-controlling interests, pledged bank deposits, and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets, comprising investments in syndicated property project companies and available-for-sale investments, are carried at fair value and at cost at the end of the reporting period respectively. Changes in fair value of the syndicated property project companies are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss (see accounting policy on impairment of financial assets below).

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*
Financial Assets (continued)
Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;

- breach of contract, such as default or delinquency in interest or principal payments; or

- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables and deteriorated value in collateral assets.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including trade and other payables, amounts due to holding companies, associates, joint ventures, non-controlling interests, subsidiaries and fellow subsidiaries, bank borrowings and notes payable) are measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group or the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group or the Company measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Stock of Properties

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Borrowing Costs *(continued)*

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*
Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Employee benefit
(i) *Retirement benefits*
The Group participates in mandatory provident fund schemes in Hong Kong which are defined contribution plan generally funded through payments to trustee-administered funds. The assets of the scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the Mainland China is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group’s contributions to the scheme are expensed as incurred.

(ii) *Employee leave entitlements*
Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Property development

Revenue from property development in the ordinary course of business are recognised when all the following criteria are satisfied:

(1) the significant risks and rewards of ownership of the properties are transferred to the buyers;

(2) neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

(3) the amount of revenue can be measured reliably;

(4) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(5) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

Property Rentals

Rental income from properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Construction Contract Income

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost.

Real Estate Management Services and Building Design Consultancy Services

Revenue from the provision of real estate management services and building design consultancy services is recognised when services are provided.

Dividend Income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Dividend Distribution

Dividend distribution of the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

For distribution of non-cash assets as a dividend to the Company's shareholders, the Group measures the dividend payable at the fair value of the assets being distributed. When the Group settles the dividend payable, the difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2015 at their fair values of approximately HK$64,057 million (2014 restated: HK$54,921 million). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Impairment of Interests in and Amounts due from Joint Ventures and Associates

Management assessed the recoverability of the Group's interests in joint ventures and associates and amounts due from joint ventures and associates undertaking property development projects in the PRC with an aggregate carrying amount of approximately HK$9,421 million (2014 restated: HK$10,775 million), HK$5,589 million (2014 restated: HK$6,177 million), HK$6,425 million (2014 restated: HK$6,949 million) and HK$467 million (2014: HK$238 million) respectively included in the consolidated statement of financial position at 31 December 2015.

The assessment was based on an estimation of the net realisable value of the underlying properties of the joint ventures and associates which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2015 is stock of properties with an aggregate carrying amount of approximately HK$203,183 million (2014 restated: HK$230,484 million). Stock of properties of HK$16,705 million (2014 restated: HK$19,721 million) were stated at their net realisable value. Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(d) Land Appreciation Tax ("LAT")

LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and all property development expenditure.

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provisions for LAT in the period in which such determination is made.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(e) Distribution in Specie

Accounting for the distribution in specie of China Overseas Property Holdings Limited ("COPL"), and in particular the calculation of any gain or loss arising, requires determination of the fair value of the assets distributed, at the settlement date of dividend payable. The fair value of the COPL at the spin-off date is determined by the first market trading price of COPL's shares on the first day of trading.

(f) Revenue Recognition

Management made judgement on whether the economic benefits associated with the property sales transaction will flow to the Group. Likelihood of inflow of economic benefits to the Group is demonstrated by the purchaser's likelihood and commitment to pay, which is assessed by the amount of upfront payment that gives the purchaser a stake in the property sufficient that the risk of loss through default motivates the purchaser to honour the obligation to the Group, the prevailing market price of similar properties, among other factors.

Management has also made judgement on when significant risks and rewards of ownership of properties are transferred to purchasers. Risk and rewards of ownership of properties are transferred to purchasers upon which the construction of relevant properties has been completed and the properties are ready to be delivered to purchasers.

The judgement on the likelihood of inflow of economic benefits associated with the property sales transaction and the transfer of risks and rewards of ownership of properties would affect the Group's profit for the year and the carrying value of completed properties held for sale.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes bank borrowings and notes payable disclosed in Notes 34 and 35, respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, other reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net gearing ratio. For this purpose the Group defines net debt as total debt less cash and cash equivalents. Equity attributable to owners of the Company comprise share capital and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

5. CAPITAL RISK MANAGEMENT *(continued)*

The net gearing ratio at the year end were as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
Bank borrowings	**49,255,875**	49,180,352
Notes payable	**66,200,380**	48,177,442
Total debt	**115,456,255**	97,357,794
Less: Cash and bank balances, including pledged bank deposits	**(102,445,644)**	(59,914,829)
Net debt	**13,010,611**	37,442,965
Equity attributable to owners of the Company	**191,557,525**	133,670,483
Net gearing ratio	**6.8%**	28.0%

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

a. Categories of Financial Instruments

	2015 HK$'000	2014 HK$'000 (Restated)
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**121,655,065**	76,767,515
Available-for-sale financial assets (including investments in syndicated property project companies and available-for-sale investments)	**55,625**	68,457
Financial liabilities		
Liabilities at amortised cost	**155,293,300**	186,405,839

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies

The Group's major financial instruments include available-for-sale financial assets, bank borrowings, trade and other receivables, trade and other payables, amounts due from/to affiliated companies and bank balances. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank loans, amounts due to non-controlling interests and amounts due from joint ventures amounting to approximately HK$44,666 million (2014 restated: approximately HK$44,345 million), approximately HK$576 million (2014 restated: approximately HK$537 million) and approximately HK$764 million (2014: approximately HK$764 million), respectively. The variable-rate bank loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank loans, amounts due from joint ventures, the notes payable, amount due to holding companies, amounts due to associate and amounts due to non-controlling interests, amounting to approximately HK$4,589 million (2014: approximately HK$4,835 million), HK$nil (2014: approximately HK$456 million), approximately HK$66,200 million (2014: approximately HK$48,177 million), HK$nil (2014 restated: HK$4,508 million), approximately HK$791 million (2014 restated: approximately HK$964 million) and approximately HK$508 million (2014: approximately HK$661 million), respectively. Management will also consider hedging significant interest rate exposure should the need arise.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market risk *(continued)*

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2014: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax ended 31 December 2015 would decrease/increase by HK$55,514,000 (2014 restated: HK$58,332,000) after capitalising finance costs in properties under development and investment properties under construction of HK$389,274,000 (2014 restated: HK$382,850,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans, amounts due to non-controlling interest, and amounts due from joint ventures.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK$-denominated bank borrowings, US$-denominated and EUR-denominated notes in aggregate account for 76.9% of the Group's interest bearing debts. Taking into consideration the weakened RMB, the Group will endeavor to improve the currency profile of its debt, mainly by rapidly increasing the proportion of RMB debt. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	2015 ***HK$'000***	2014 *HK$'000* (Restated)
Assets		
HK$	**14,218,716**	1,341,737
United States dollars ("US$")	**4,327,791**	8,624,803
British Pound ("GBP")	**1,472,798**	–
Liabilities		
HK$	**32,189,939**	29,237,538
US$	**48,210,600**	49,125,836
Euro ("EUR")	**8,397,454**	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market risk *(continued)*

Currency risk sensitivity analysis

The Group mainly exposes to the currency of US$, HK$, EUR and GBP. The following details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the functional currencies of group entities against US$, HK$, EUR and GBP, respectively. 5% (2014: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates. The sensitivity analysis includes amounts due from joint ventures, bank balances, bank borrowings and notes payable in currencies other than the functional currencies of the group entities. Certain notes payables denominated in US$ expose to foreign currency exchange rate risk against HK$. As HK$ is pegged to US$, management considered the foreign currency exchange risk exposed to these US$ notes payables is insignificant.

For a 5% (2014: 5%) decrease of functional currencies of group entities against the US$, HK$, EUR, GBP and all other variables were held constant, the Group's profit before tax ended 31 December 2015 would decrease by HK$2,394,522,000 (2014 restated: HK$1,946,539,000) after increase in capitalising of exchange loss in stock of properties of HK$16,000,000 (2014 restated: HK$580,000,000).

For a 5% (2014: 5%) increase of functional currencies of group entities against the US$, HK$, EUR, GBP and all other variables were held constant, the Group's profit before tax ended 31 December 2015 would increase by HK$1,397,522,000 (2014 restated: HK$2,526,539,000) after decrease in capitalising of exchange loss in stock of properties of HK$1,013,000,000 (2014 restated: HK$nil).

This is mainly attributable to the Group's exposure to outstanding amounts due from joint ventures, bank balances, bank borrowings and notes payable at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(ii) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 43.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds as well as amounts due from a fellow subsidiary, associates, joint ventures and non-controlling interests, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the fellow subsidiary, associates, joint ventures and non-controlling interests, which are mainly engaged in property development business in Hong Kong and the PRC and their property development projects are profitable. In addition, the Group reviews the recoverable amounts of the individual debts to ensure that adequate impairment losses are made for the irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is mitigated. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group relies on bank loans and notes as a significant source of liquidity. As at 31 December 2015, the Group maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following table analyses the contractual undiscounted cash flows of the Group's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from flat rate at the end of the reporting period. The undiscounted amounts are subject to changes if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 December 2015						
Trade and other payables	32,044,407	1,850,589	687,562	61,364	34,643,922	34,643,922
Amounts due to fellow subsidiaries	618,156	–	–	–	618,156	618,156
Amounts due to associates	1,056,114	–	–	–	1,056,114	1,053,344
Amounts due to joint ventures	1,322,733	–	–	–	1,322,733	1,322,733
Amounts due to non-controlling interests	1,001,060	1,279,043	–	–	2,280,103	2,198,890
Bank borrowings	8,586,868	10,618,158	33,301,760	–	52,506,786	49,255,875
Notes payable	2,950,332	8,511,639	42,300,492	38,596,409	92,358,872	66,200,380
Financial guarantee contracts	24,469,862	744,604	303,957	–	25,518,423	–
	72,049,532	23,004,033	76,593,771	38,657,773	210,305,109	155,293,300

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity risk *(continued)*

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2014, as restated						
Trade and other payables	40,454,747	1,797,940	506,472	58,587	42,817,746	42,817,746
Amounts due to holding companies	40,576,725	–	–	–	40,576,725	40,576,725
Amounts due to fellow subsidiaries	372,923	–	–	–	372,923	372,923
Amounts due to associates	1,246,375	–	–	–	1,246,375	1,243,002
Amounts due to joint ventures	1,686,876	–	–	–	1,686,876	1,686,876
Amounts due to non-controlling interests	1,080,760	1,364,670	–	–	2,445,430	2,350,773
Bank borrowings	23,795,219	10,198,715	17,624,896	–	51,618,830	49,180,352
Notes payable	2,026,985	2,472,197	22,727,071	50,946,799	78,173,052	48,177,442
Financial guarantee contracts	21,388,491	500,697	316,897	–	22,206,085	–
	132,629,101	16,334,219	41,175,336	51,005,386	241,144,042	186,405,839

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if these amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffer credit losses.

c. Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of investments in syndicated property project companies is estimated by reference to the fair value of the properties held by these companies;
- The fair value of financial guarantee contracts is determined using discounted cash flow models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default; and
- The fair value of other financial assets and other financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Other than the notes payable that is disclosed in Note 35, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair Value *(continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Investments in syndicated property project companies *HK$'000*
At 1 January 2014	18,907
Gains recognised in other comprehensive income	1,966
At 31 December 2014	20,873
Gains recognised in other comprehensive income	3,360
At 31 December 2015	**24,233**

The fair value of the above financial instrument is measured using unobservable inputs (Level 3). There were no changes in valuation techniques during the year.

The Group reviews the valuation performed by the internal valuer for financial reporting purpose. The valuer reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least twice a year.

The key unobservable assumption used in the valuation includes the comparable sales price as available in the relevant market. The comparable sales price used to estimate the fair value ranged from HK$4,200 to HK$6,000 per square foot (2014: HK$4,200 to HK$5,000 per square foot). The higher the comparable sales price, the higher the fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

7. REVENUE

Revenue comprises of proceeds from property development, property rentals, real estate management services and other income. An analysis of the Group's revenue for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Proceeds from property development activities	**143,694,552**	134,022,459
Property rentals	**1,915,336**	1,643,244
Revenue from real estate management services	**1,777,972**	2,107,987
Other income *(Note)*	**686,539**	731,497
Revenue	**148,074,399**	138,505,187
Business tax	**(7,943,748)**	(7,547,712)
Net revenue	**140,130,651**	130,957,475

Note: Other income mainly comprises of revenue from the provision of construction and building design consultancy services.

8. SEGMENT INFORMATION

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

Property development — proceeds from property development activities

Property investment — property rentals

Other operations — revenue from real estate management services, construction and building design consultancy services

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

Segment Revenue and Results

The following is an analysis of the Group's revenue and results (including share of results of associates and joint ventures) by reportable segments.

Year ended 31 December 2015

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segments total *HK$'000*
Segment revenue				
— from external customers	**143,694,552**	**1,915,336**	**2,464,511**	**148,074,399**
Business tax	**(7,742,600)**	**(88,823)**	**(112,325)**	**(7,943,748)**
Net revenue	**135,951,952**	**1,826,513**	**2,352,186**	**140,130,651**
Segment profit (including share of profits of associates and joint ventures)	**38,201,332**	**8,968,444**	**168,541**	**47,338,317**

Year ended 31 December 2014, as restated

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segments total *HK$'000*
Segment revenue				
— from external customers	134,022,459	1,643,244	2,839,484	138,505,187
Business tax	(7,342,931)	(80,359)	(124,422)	(7,547,712)
Net revenue	126,679,528	1,562,885	2,715,062	130,957,475
Segment profit (including share of profits of associates and joint ventures)	37,543,722	6,875,652	88,661	44,508,035

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

Segment Revenue and Results *(continued)*

Reconciliation of reportable segment profit to the consolidated profit before tax

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Segment profit includes profits from subsidiaries, share of profits of joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of net gain on distribution in specie, interest income on bank deposits, corporate expenses, finance costs and net foreign exchange losses charged in consolidated income statement. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Reportable segment profit	**47,338,317**	44,508,035
Unallocated items:		
Net gain on distribution in specie	**2,512,965**	–
Interest income on bank deposits	**922,373**	605,483
Corporate expenses	**(215,952)**	(224,759)
Finance costs	**(574,025)**	(544,767)
Net foreign exchange losses charged in consolidated income statement	**(1,160,554)**	(20,361)
Profit before tax	**48,823,124**	44,323,631

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2015

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Segments total** *HK$'000*
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	**258,538,798**	**64,515,034**	**1,737,193**	**324,791,025**
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	**(105,913,464)**	**(7,693,388)**	**(1,560,617)**	**(115,167,469)**

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

Segment Assets and Liabilities *(continued)*

At 31 December 2014, as restated

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segments Total *HK$'000*
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	290,966,045	57,172,951	2,176,570	350,315,566
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	(159,863,704)	(11,151,660)	(3,233,185)	(174,248,549)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than bank borrowings and notes payable.

	2015 ***HK$'000***	2014 *HK$'000* (Restated)
Reportable segment assets	**324,791,025**	350,315,566
Unallocated items:		
Cash and cash equivalents	**102,445,644**	59,847,580
Consolidated total assets	**427,236,669**	410,163,146
Reportable segment liabilities	**(115,167,469)**	(174,248,549)
Unallocated items:		
Bank borrowings	**(49,255,875)**	(49,180,352)
Notes payable	**(66,200,380)**	(48,177,442)
Consolidated total liabilities	**(230,623,724)**	(271,606,343)

Notes:

(a) *Segment assets include interests in and amounts due from joint ventures of HK$9,420,805,000 (2014 restated: HK$10,775,156,000) and HK$6,424,895,000 (2014 restated: HK$6,949,103,000), and interests in and amounts due from associates of HK$5,589,294,000 (2014 restated: HK$6,176,612,000) and HK$467,295,000 (2014 restated: HK$237,951,000) respectively.*

(b) *Segment liabilities include amounts due to joint ventures and amount due to associates of HK$1,322,733,000 (2014 restated: HK$1,686,876,000) and HK$1,053,344,000 (2014 restated: HK$1,243,002,000) respectively.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

Other Segment Information

Year ended 31 December 2015

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	39,935	2,473,163	72,949	2,586,047
Gain/(loss) on disposals of property, plant and equipment	3,883	(764)	(483)	2,636
Gain on disposal of investment properties	–	91,559	–	91,559
Depreciation and amortisation	40,016	2,142	45,744	87,902
Gain arising from changes in fair value of investment properties	–	7,445,280	–	7,445,280
Interest income on amounts due from joint ventures	63,518	–	–	63,518
Share of profits of associates	349,848	–	–	349,848
Share of profits of joint ventures	626,791	–	–	626,791

Year ended 31 December 2014, as restated

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	54,301	6,150,184	53,179	6,257,664
Loss on disposals of property, plant and equipment	125	2	136	263
Depreciation and amortisation	48,041	3,659	74,017	125,717
Gain arising from changes in fair value of investment properties	–	5,636,770	–	5,636,770
Interest income on amounts due from joint ventures	80,085	–	–	80,085
Share of profits of associates	700,770	–	–	700,770
Share of profits of joint ventures	560,627	–	–	560,627

Note: Non-current assets exclude amounts due from joint ventures, investments in syndicated property project companies, available-for-sale investments, interests in associates, interests in joint ventures, pledged bank deposits and deferred tax assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

Revenue from Major Products and Services

An analysis of the Group's revenue for the year from its major products and services is set out in Note 7.

Information about Geographical Areas

The Group's property development, property investment and other operations are carried out in Hong Kong, Macau, other regions in the PRC and the United Kingdom. The following table provides a geographical analysis of the Group's revenue from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

	Revenue by geographical market		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
The PRC				
Hua Nan Region	**37,845,085**	37,258,494	**8,164,750**	7,223,453
Hua Dong Region	**38,566,849**	37,607,376	**7,991,184**	7,482,138
Hua Bei Region	**26,341,291**	20,875,039	**24,462,467**	17,842,693
Northern Region	**25,648,733**	21,455,141	**3,427,402**	3,571,274
Western Region	**13,381,138**	16,844,468	**10,235,331**	9,721,164
The United Kingdom	**339,074**	268,658	**6,249,931**	5,958,134
Hong Kong and Macau	**5,952,229**	4,196,011	**5,107,373**	4,755,829
	148,074,399	138,505,187	**65,638,438**	56,554,685
Business tax	**(7,943,748)**	(7,547,712)	**–**	–
	140,130,651	130,957,475	**65,638,438**	56,554,685

Note: Non-current assets exclude amounts due from joint ventures, investments in syndicated property project companies, available-for-sale investments, interests in associates, interests in joint ventures, pledged bank deposits and deferred tax assets.

Information about Major Customers

There was no customer who accounted for over 10% of the Group's revenue in both years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

9. OTHER INCOME AND GAINS, NET

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Other income and gains, net include:		
Interest income on bank deposits	**922,373**	605,483
Interest income on amounts due from joint ventures	**63,518**	80,085
Other interest income	**10**	16
Total interest income	**985,901**	685,584
Gain on disposals of investment properties	**91,559**	–
Net foreign exchange losses	**(2,320,554)**	(20,361)
Less: Exchange losses arising from foreign currency borrowings capitalised *(Note)*	**1,160,000**	–
Net foreign exchange losses charged in consolidated income statement	**(1,160,554)**	(20,361)

Note: The amount represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies, which is capitalised to stock of properties.

10. FINANCE COSTS

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Interest on bank loans and notes wholly repayable within five years	**2,866,695**	2,151,499
Interest on notes not wholly repayable within five years	**1,353,592**	1,597,468
Interest on amounts due to holding companies	**221,720**	248,627
Other finance costs	**157,182**	122,642
Total finance costs	**4,599,189**	4,120,236
Less: Amount capitalised	**(4,025,164)**	(3,575,469)
	574,025	544,767

Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 5.01% (2014 restated: 4.11%) per annum to expenditure on qualifying assets including the effect of capitalisation of exchange difference of HK$1,160,000,000 (2014: HK$nil) (Note 9).

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

11. INCOME TAX EXPENSES

	2015 HK$'000	2014 HK$'000 (Restated)
Current tax:		
Hong Kong profits tax	**39,880**	10,664
Macau income tax	**420,838**	253,612
PRC Enterprise Income Tax ("EIT")	**7,933,364**	8,928,734
PRC withholding income tax	**441,615**	219,055
LAT	**4,577,408**	6,828,462
Others	**5,956**	4,234
	13,419,061	16,244,761
(Over)/under-provision in prior years:		
Hong Kong profits tax	**(110)**	4,796
EIT	**(2,792)**	(220)
LAT	**45,561**	(57,730)
	42,659	(53,154)
Deferred tax *(Note 36)*:		
Current year	**1,310,534**	381,091
Total	**14,772,254**	16,572,698

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2014: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Macau income tax is calculated at the prevailing tax rate of 12% (2014: 12%) in Macau.

Details of deferred tax are set out in Note 36.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

11. INCOME TAX EXPENSES *(continued)*

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2015 **HK$'000**	2014 HK$'000 (Restated)
Profit before tax	**48,823,124**	44,323,631
Tax at the applicable tax rate of 25% (2014: 25%)	**12,205,781**	11,080,908
PRC withholding income tax	**441,615**	219,055
LAT	**4,577,408**	6,828,462
Tax effect of LAT	**(1,144,352)**	(1,707,116)
Tax effect of share of results of associates and joint ventures	**(244,160)**	(315,349)
Tax effect of expenses not deductible for tax purpose	**501,300**	1,109,948
Tax effect of income not taxable for tax purpose	**(1,315,328)**	(411,840)
Under/(over)-provision in prior years	**42,659**	(53,154)
Tax effect of tax losses not recognised	**235,006**	228,810
Utilisation of tax losses previously not recognised	**(91,378)**	(124,534)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	**(8,765)**	(13,113)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(446,339)**	(296,529)
Others	**18,807**	27,150
Income tax expenses for the year	**14,772,254**	16,572,698

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

12. PROFIT FOR THE YEAR

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit services	**9,900**	8,750
Non-audit services	**3,855**	1,690
In relation to the distribution in specie *(Note 38)*	**7,700**	–
	21,455	10,440
Business tax and other levies	**7,943,748**	7,547,712
Depreciation of property, plant and equipment	**83,666**	117,605
Amortisation of prepaid lease payments for land	**4,236**	8,112
Staff costs including benefits and interests of directors *(Note)*	**2,056,814**	1,856,400
Rental expenses in respect of land and buildings under operating leases	**75,581**	69,637
Share of tax of		
Associates	**332,612**	493,334
Joint ventures	**336,509**	396,262
(Gain)/loss on disposals of property, plant and equipment	**(2,636)**	263
Cost of stock of properties recognised as expenses	**95,869,232**	89,336,942
Cost of inventories recognised as expenses	**351,906**	445,018
Rental income in respect of investment properties under operating leases, net of outgoings of HK$266,635,000 (2014 restated: HK$185,215,000)	**1,559,878**	1,377,669

Note: *The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.*

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost recognised in the consolidated income statement of approximately HK$97 million (2014 restated: HK$87 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

Contributions totaling approximately HK$1 million (2014 restated: HK$5 million) were payable to the schemes at the end of reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

13. BENEFITS AND INTERESTS OF DIRECTORS

		Year ended 31 December 2015 As director				
	Notes	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund scheme HK$'000	Total HK$'000
Executive Directors						
Hao Jian Min	*(i)*	–	6,380	2,873	18	9,271
Xiao Xiao		–	5,475	2,873	18	8,366
Chen Yi	*(iv)*	–	2,454	2,873	18	5,345
Luo Liang		–	1,711	8,727	18	10,456
Nip Yun Wing		–	3,036	2,100	18	5,154
Guo Yong	*(iii)*	–	977	3,292	15	4,284
Kan Hongbo	*(iii)*	–	1,004	4,717	15	5,736
Non-executive Director						
Zheng Xuexuan		300	–	–	–	300
Independent Non-executive Directors						
Li Man Bun, Brian David		477	–	–	–	477
Lam Kwong Siu		413	–	–	–	413
Wong Ying Ho, Kennedy	*(ii)*	271	–	–	–	271
Fan Hsu Lai Tai, Rita		477	–	–	–	477
		1,938	21,037	27,455	120	50,550

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

		Year ended 31 December 2014 As director				
	Notes	Directors' fees *HK$'000*	Basic salaries, allowances and benefits-in-kind *HK$'000*	Performance related bonus *HK$'000*	Contributions to provident fund scheme *HK$'000*	Total *HK$'000*
Executive Directors						
Hao Jian Min	*(i)*	–	5,671	3,018	17	8,706
Xiao Xiao		–	5,331	3,018	17	8,366
Chen Yi	*(iv)*	–	2,571	2,873	17	5,461
Luo Liang		–	1,781	7,810	17	9,608
Nip Yun Wing		–	2,888	1,700	17	4,605
Guo Yong	*(iii)*	–	1,254	4,661	17	5,932
Kan Hongbo	*(iii)*	–	1,213	5,668	17	6,898
Non-executive Director						
Zheng Xuexuan		300	–	–	–	300
Independent Non-executive Directors						
Li Man Bun, Brian David		360	–	–	–	360
Lam Kwong Siu		250	–	–	–	250
Wong Ying Ho, Kennedy	*(ii)*	360	–	–	–	360
Fan Hsu Lai Tai, Rita		360	–	–	–	360
		1,630	20,709	28,748	119	51,206

Notes:

(i) Mr. Hao holds position as the Chief Executive Officer of the Company in both years ended 31 December 2015 and 2014.

(ii) Resigned with effective from 3 August 2015.

(iii) Resigned with effective from 27 October 2015.

(iv) Resigned with effective from 19 January 2016.

The performance related bonus was determined based on the Group's performance for the year.

Of the five individuals with the highest emoluments in the Group, two (2014: three) were directors of the Company whose emoluments are included above. The emolument of the remaining three (2014: two) individuals was set out in Note 45.

No directors waived any emoluments in both years ended 31 December 2015 and 2014.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2015 and 2014.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

During the year, Mr. Hao Jian Min, Xiao Xiao, Chen Yi, Zheng Xuexuan, Luo Liang, Guo Yong and Kan Hongbo held directorships in CSCEC, and/or its subsidiaries/associated companies, which engaged in construction, property development and property investment and related businesses.

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during both years ended 31 December 2015 and 2014.

14. EARNINGS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the year attributable to the owners of the Company	**33,312,083**	27,200,018

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**9,227,527**	8,173,502
Effect of dilutive potential ordinary shares		
Share options	**–**	1,036
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**9,227,527**	8,174,538

15. DIVIDENDS AND DISTRIBUTION IN SPECIE

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year		
Interim dividend paid in respect of financial year ended 31 December 2015 of HK20 cents (2014: financial year ended 31 December 2014 interim dividend of HK20 cents) per share	**1,972,116**	1,634,795
Final dividend paid in respect of financial year ended 31 December 2014 of HK35 cents (2014: financial year ended 31 December 2013 final dividend of HK29 cents) per share	**3,451,203**	2,370,453
Distribution in specie *(Note 38)*	**3,089,649**	–
	8,512,968	4,005,248

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

15. DIVIDENDS AND DISTRIBUTION IN SPECIE *(continued)*

The final dividend of HK41 cents in respect of the financial year ended 31 December 2015 (2014: final dividend of HK35 cents in respect of the financial year ended 31 December 2014) per share, amounting to HK$4,042,838,000 (2014: HK$3,451,203,000) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements.

16. INVESTMENT PROPERTIES

	Completed			Under construction	
	The PRC *HK$'000*	**Hong Kong & Macau** *HK$'000*	**The United Kingdom** *HK$'000*	**The PRC** *HK$'000*	**Total** *HK$'000*
FAIR VALUE					
At 1 January 2014, as previously reported	15,398,001	4,270,700	–	12,862,960	32,531,661
Acquisition of the Acquired Group *(Note 3)*	4,184,559	–	4,017,219	–	8,201,778
At 1 January 2014, as restated	19,582,560	4,270,700	4,017,219	12,862,960	40,733,439
Additions	–	–	–	6,150,184	6,150,184
Acquisition of a subsidiary *(Note 40)*	–	–	1,722,482	–	1,722,482
Gain arising from changes in fair value of investment properties	1,383,258	85,300	430,444	3,737,768	5,636,770
Transfer upon completion	8,624,667	–	–	(8,624,667)	–
Transfer from completed properties	983,641	–	–	–	983,641
Exchange realignment	(65,025)	–	(212,011)	(28,932)	(305,968)
At 31 December 2014, as restated	30,509,101	4,356,000	5,958,134	14,097,313	54,920,548
Additions	–	–	–	2,306,526	2,306,526
Gain arising from changes in fair value of investment properties	2,486,556	548,300	420,061	3,990,363	7,445,280
Transfer upon completion	8,690,466	–	–	(8,690,466)	–
Transfer from stock of properties	–	–	–	3,291,050	3,291,050
Disposals of investment properties	(396,631)	(192,000)	–	–	(588,631)
Distribution in specie *(Note 38)*	(69,834)	–	–	–	(69,834)
Exchange realignment	(1,756,828)	–	(294,820)	(1,196,225)	(3,247,873)
At 31 December 2015	**39,462,830**	**4,712,300**	**6,083,375**	**13,798,561**	**64,057,066**

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES *(continued)*

Valuation Processes of the Group

The fair values of the investment properties, including both land and building elements, held by the Group at 31 December 2015 and 2014 have been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited.

DTZ Debenham Tie Leung Limited is an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

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

At each financial year end the finance department:

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

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

Fair Value Measurements Using Significant Unobservable Inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs *(continued)*

Information about fair value measurements using significant unobservable inputs

Description	**Fair value at 31 December 2015** ***HK$'000***	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Investment properties under construction in the PRC	13,798,561	Residual method	Discount rate	4.4%–5.0%
			Estimated costs to completion	RMB2,000–RMB7,000 per square meter
			Estimated developer's profit	7%–25%
Completed investment properties in the PRC	39,462,830	Investment approach	Prevailing market rents	RMB70–RMB470 per square meter per month
			Reversionary yield	5.5%–8.5%
Completed investment properties in Hong Kong	4,712,300	Investment Approach	Prevailing market rents	HK$27–HK$44 per square foot per month
			Reversionary yield	2.3%–4.8%
Completed investment properties in the United Kingdom	6,083,375	Investment approach	Prevailing market rents	GBP43–GBP61 per square foot per year
			Capitalisation rate	4.0%–4.8%

Description	Fair value at 31 December 2014 (restated) *HK$'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	14,097,313	Residual method	Discount rate	5.6%–6.2%
			Estimated costs to completion	RMB2,000–RMB6,800 per square meter
			Estimated developer's profit	12%–28%
Completed investment properties in the PRC	30,509,101	Investment approach	Prevailing market rents	RMB100–RMB400 per square meter per month
			Reversionary yield	5.5%–9.0%
Completed investment properties in Hong Kong and Macau	4,356,000	Investment approach	Prevailing market rents	HK$25–HK$60 per square foot per month
			Reversionary yield	2.4%–5.0%
Completed investment properties in the United Kingdom	5,958,134	Investment approach	Prevailing market rents	GBP40–GBP61 per square foot per year
			Capitalisation rate	4.5%–5.1%

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

16. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs *(continued)*

Information about fair value measurements using significant unobservable inputs *(continued)*
Prevailing market rents are estimated based on the independent valuer's view of recent lettings transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value.

Reversionary yield and discount rate are estimated by the independent valuer based on the risk profile of the properties being valued and the market conditions. The lower the yield and the rate, the higher the fair value.

Estimated costs to completion and developer's profit required are estimated by the independent valuer based on market conditions as at 31 December 2015 and 2014. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The lower the costs and developer's profits, the higher the fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2014, as previously reported	609,272	645,185	105,544	355,248	1,715,249
Acquisition of the Acquired Group *(Note 3)*	1,432	–	871	46,258	48,561
At 1 January 2014, as restated	610,704	645,185	106,415	401,506	1,763,810
Additions	30,800	–	4,580	72,100	107,480
Disposals	–	–	(1,194)	(33,271)	(34,465)
Exchange realignment	(509)	(2,548)	(237)	(1,054)	(4,348)
At 31 December 2014, as restated	640,995	642,637	109,564	439,281	1,832,477
Additions	56,995	–	5,150	50,821	112,966
Acquisition of subsidiaries *(Note 40)*	–	–	–	526	526
Disposals	(83,725)	–	(957)	(37,963)	(122,645)
Distribution in specie *(Note 38)*	(25,319)	–	(6,006)	(68,005)	(99,330)
Exchange realignment	(6,094)	(40,119)	(3,916)	(17,102)	(67,231)
At 31 December 2015	582,852	602,518	103,835	367,558	1,656,763
DEPRECIATION					
At 1 January 2014, as previously reported	59,670	32,106	50,022	202,255	344,053
Acquisition of the Acquired Group *(Note 3)*	522	–	190	12,686	13,398
At 1 January 2014, as restated	60,192	32,106	50,212	214,941	357,451
Provided for the year	19,993	31,945	7,027	58,640	117,605
Eliminated on disposals	–	–	(216)	(19,154)	(19,370)
Exchange realignment	(115)	(76)	(41)	(529)	(761)
At 31 December 2014, as restated	80,070	63,975	56,982	253,898	454,925
Provided for the year	21,125	15,875	6,770	39,896	83,666
Eliminated on disposals	(14,779)	–	(388)	(16,513)	(31,680)
Distribution in specie *(Note 38)*	(1,993)	–	(2,093)	(51,355)	(55,441)
Exchange realignment	(2,043)	(4,757)	(1,321)	(9,576)	(17,697)
At 31 December 2015	82,380	75,093	59,950	216,350	433,773
CARRYING VALUES					
At 31 December 2015	**500,472**	**527,425**	**43,885**	**151,208**	**1,222,990**
At 31 December 2014, as restated	560,925	578,662	52,582	185,383	1,377,552

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land in Hong Kong	Over the lease terms
Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Hotel building	20 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

18. PREPAID LEASE PAYMENTS FOR LAND

	2015 *HK$'000*	2014 *HK$'000*
Land use rights in the PRC	**131,324**	155,676
Analysed for reporting purposes as:		
Non-current asset	**127,302**	147,564
Current asset	**4,022**	8,112
	131,324	155,676

19. INTERESTS IN ASSOCIATES

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Cost of investments		
Listed in Hong Kong	**2,862,287**	2,862,287
Unlisted	**1,130,868**	1,047,822
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,596,139**	2,266,503
	5,589,294	6,176,612
Market value of the interest in the listed associate	**2,843,087**	3,414,800

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

19. INTERESTS IN ASSOCIATES *(continued)*

Set out below are the particulars of the principal associates at 31 December 2015 and 2014 in the opinion of the directors of the Company, to give details of other associates would result in particulars of excessive length.

Name of entity	Place of incorporation	Place of operation	Proportion of nominal value of issued ordinary capital/ registered capital indirectly held		Principal activities
			2015	2014	
China Overseas Grand Oceans Group Ltd. ("COGO")*	Hong Kong	PRC	**37.98%**	37.98%	Property development and investment and investment holding
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	PRC	**40%**	40%	Property development and trading
金茂投資(長沙)有限公司	PRC	PRC	**20%**	20%	Property development

* *COGO is listed on the Main Board of the Hong Kong Stock Exchange.*

All of these associates are accounted for using the equity method in these consolidated financial statements.

Set out below is the financial information of COGO which, in the opinion of the directors of the Company, is material to the Group.

Summarised Statement of Financial Position

	COGO	
	2015 *HK$'000*	2014 *HK$'000*
Current		
Cash and cash equivalents	**9,689,637**	8,811,605
Other current assets	**42,946,886**	43,077,999
Total current assets	**52,636,523**	51,889,604
Financial liabilities (excluding trade payables)	**(6,613,858)**	(9,315,583)
Other current liabilities (including trade payables)	**(22,297,220)**	(17,050,482)
Total current liabilities	**(28,911,078)**	(26,366,065)
Non-current		
Total non-current assets	**3,160,097**	3,418,662
Financial liabilities	**(13,772,041)**	(14,594,175)
Other liabilities	**(1,303,664)**	(1,375,657)
Total non-current liabilities	**(15,075,705)**	(15,969,832)
Net assets	**11,809,837**	12,972,369

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

19. INTERESTS IN ASSOCIATES *(continued)*

Summarised Statement of Comprehensive Income

	COGO	
	2015	2014
	HK$'000	*HK$'000*
Revenue	**16,613,887**	13,981,328
Depreciation and amortisation	**(17,946)**	(17,005)
Interest income	**92,005**	65,943
Interest expense	**(27,259)**	(22,314)
Profit before tax	**1,720,733**	2,668,474
Income tax expenses	**(798,894)**	(1,222,494)
Profit for the year	**921,839**	1,445,980
Other comprehensive income	**(1,636,633)**	(46,210)
Total comprehensive income	**(714,794)**	1,399,770
Dividends received from the associate	**8,667**	86,670

Reconciliation of Summarised Financial Information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	COGO	
	2015	2014
	HK$'000	*HK$'000*
Opening net assets at 1 January	**12,972,369**	12,271,664
Profit for the year	**921,839**	1,445,980
Other comprehensive income and other reserves	**(1,996,277)**	(46,210)
Dividends paid	**(88,094)**	(526,445)
Acquisition of additional interest of subsidiaries	**–**	(172,620)
Closing net assets at 31 December	**11,809,837**	12,972,369
Non-controlling interests	**(637,086)**	(671,114)
Equity attributable to owners of the company	**11,172,751**	12,301,255
Interest in associate %	**37.98%**	37.98%
Interest in associate	**4,243,411**	4,672,017
Carrying value at 31 December	**4,243,411**	4,672,017

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

19. INTERESTS IN ASSOCIATES *(continued)*

Aggregate Information of Associates that are not Individually Material

	2015 *HK$'000*	2014 *HK$'000* (Restated)
The Group's share of profit	**26,564**	219,424
The Group's share of other comprehensive income	**(321,870)**	(168,905)
The Group's share of total comprehensive income	**(295,306)**	50,519
Aggregate carrying amount of the Group's interests in these associates	**1,345,883**	1,504,595

There are no significant contingent liabilities relating to the Group's interests in the associates.

20. INTERESTS IN JOINT VENTURES

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Cost of investments, unlisted	**6,655,055**	7,409,794
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,765,750**	3,365,362
	9,420,805	10,775,156

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

20. INTERESTS IN JOINT VENTURES *(continued)*

Set out below are the particulars of the principal joint ventures at 31 December 2015 and 2014, which, in the opinion of the directors of the Company, to give details of other joint ventures would result in particulars of excessive length. These joint ventures are established and operating in the PRC, unless otherwise indicated.

Name of entity	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group		Principal activities
	2015	2014	
Elite Mind International Limited*	**60%^**	60%^	Investment holding
重慶嘉江房地產開發有限公司	**60%^**	60%^	Property development
Speedy Champ Investments Limited*	**45%^**	45%^	Investment holding
重慶豐盈房地產開發有限公司	**45%^**	45%^	Property development
Kingtron Enterprises Limited*	**50%**	50%	Investment holding
海墅房地產開發（杭州）有限公司	**50%**	50%	Property development
Fast Right Investments Limited*	**50%**	50%	Investment holding
杭州世茂世盈房地產開發有限公司	**50%**	50%	Property development
Empire Land Investments Limited*	**50%**	50%	Investment holding
重慶嘉益房地產開發有限公司	**50%**	50%	Property development
天津贏超房地產開發有限公司	**50%**	50%	Property development
Rebound Capital Limited**	**50%**	50%	Investment holding
冠泉企業有限公司*	**50%**	50%	Investment holding
冠泉置業（寧波）有限公司	**50%**	50%	Property development
深圳中海信和地產開發有限公司	**50%**	50%	Property development
Big Profit Enterprises Limited **	**50%**	50%	Investment holding
上海中海海軒房地產有限公司	**50%**	50%	Property development
寧波中海和協置業發展有限公司	**50%**	50%	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

20. INTERESTS IN JOINT VENTURES *(continued)*

Name of entity	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group		Principal activities
	2015	2014	
杭州中海雅戈爾房地產有限公司	**50%**	50%	Property development
山東中海華創地產有限公司	**60%^**	60%^	Property development
寧波茶亭置業有限公司	**35%^**	35%^	Property development
蘇州中海雅戈爾房地產有限公司	**51%^**	51%^	Property development
武漢榮業房地產有限公司	**50%**	50%	Property development
蘇州依湖置業有限公司	**50%**	50%	Property development
華潤置地（太原）發展有限公司	**50%**	50%	Property development
成都錦城中建地產開發有限公司	**41%^**	41%^	Property development
成都錦府中建房地產開發有限公司	**50%**	50%	Property development
深圳市海清置業發展有限公司	**50%**	–	Property development

* *Incorporated in Hong Kong and has its principal place of business in Hong Kong*

** *Incorporated in the British Virgin Islands and has its principal place of business in Hong Kong*

^ *The Group exercises joint control over decisions about the relevant activities require unanimous consent with other joint venture partners in accordance with joint venture agreements and/or the companies' Articles, and accordingly, these companies have been accounted for as joint ventures.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

20. INTERESTS IN JOINT VENTURES *(continued)*

All of these joint ventures are accounted for using the equity method in these consolidated financial statements. In the opinion of the directors of the Company, there are no individually material joint ventures.

Aggregate Information of Joint Ventures that are not Individually Material

	2015 ***HK$'000***	2014 *HK$'000* (Restated)
The Group's share of profit	**626,791**	560,627
The Group's share of other comprehensive income	**(612,811)**	(52,298)
The Group's share of total comprehensive income	**13,980**	508,329
Aggregate carrying amount of the Group's interests in these joint ventures	**9,420,805**	10,775,156

The contingent liabilities relating to the Group's interest in joint ventures are disclosed in Note 43.

21. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES AND AVAILABLE-FOR-SALE INVESTMENTS

	2015 ***HK$'000***	2014 *HK$'000* (Restated)
Unlisted		
Available-for-sale equity investments, at fair value *(Note a)*	**24,233**	20,873
Available-for-sale equity investment, at cost *(Note b)*	**31,392**	47,584

Note a: The investments represent the Group's interests in the following syndicated property project companies which are carried at fair value at the end of the reporting period as estimated by the directors of the Company by reference to the fair value of the properties held by these companies.

The syndicated property project companies are incorporated and operating in Hong Kong unless otherwise indicated.

Name of entity	**Attributable equity interests held by the Group %** **2015**	 2014	**Principal activities**
Direct Profit Development Limited	**8**	8	Property development
Dramstar Company Limited	**12**	12	Property development
Moricrown Ltd. *	**7**	7	Property development
Victory World Limited	**10**	10	Property development

* *Incorporated in the British Virgin Islands*

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

21. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES AND AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Note b: The investments represent the Group's interests in the property development companies which are carried at cost at the end of the reporting period.

The following syndicated property development companies are established and operating in the PRC.

Name of entity	Attributable equity interests held by the Group %		Principal activities
	2015	2014	
湖南中建信和梅溪湖置業有限公司	**10**	10	Property development
北京富然大厦有限公司	**10**	10	Property development

During the year ended 31 December 2015, the directors of the Company are in opinion that HK$13,619,000 impairment loss in respect of available-for-sale investments has been recognised since the recoverable amount of the investments is lower than their carrying value.

22. AMOUNTS DUE FROM JOINT VENTURES UNDER NON-CURRENT ASSETS

	2015			2014		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from joint ventures	**1,206,890**	**764,139**	**1,971,029**	1,131,374	764,139	1,895,513

At 31 December 2015, the interest bearing amount due from a joint venture bears variable interest rates ranging from 6.36% to 6.45% (2014: 6.33% to 6.35%) per annum.

All the non-current amounts due from joint ventures are unsecured and not expected to be repaid within one year after the end of the reporting period. At the end of the reporting period, all the non-current amounts due from joint ventures are denominated in US$.

23. PLEDGED BANK DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Pledged bank deposits, included in non-current assets	–	67,249

At 31 December 2014, the pledged bank deposits represented deposits pledged to banks to secure the mortgage loans granted by banks to the purchasers of the Group's properties. The deposits, which carried variable interest rate of 0.35% per annum, was released upon the settlement of the relevant mortgage loans during the year ended 31 December 2015.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

24. INVENTORIES

	2015 HK$'000	2014 HK$'000 (Restated)
Raw materials and consumables, at cost	**60,304**	80,957

25. STOCK OF PROPERTIES

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Completed properties	**37,661,148**	40,228,186
Properties under development *(Note)*	**165,521,460**	190,255,513
Total stock of properties	**203,182,608**	230,483,699

Note: Included in the amount are properties under development of HK$102,708,560,000 (2014 restated: HK$108,438,174,000) not expected to be realised within twelve months from the end of the reporting period.

During the year ended 31 December 2014, impairment losses in respect of stock of properties amounting to HK$3,111,839,000 was recognised for the stock of properties acquired from the Assets Acquisition (Note 3) in order to ascertain a fair and reasonable value of the Acquired Group.

As at 31 December 2015, stock of properties with carrying amount of HK$16,705,000,000 (2014 restated: HK$19,721,000,000) was stated at their net realisable value.

26. LAND DEVELOPMENT EXPENDITURE

	2015 *HK$'000*	2014 *HK$'000*
Cost incurred	**3,158,493**	1,428,682

The Group, together with independent third parties, entered into agreements ("Agreements") with the Beijing local government to jointly redevelop some lands in Beijing. The Group is responsible for the land development works, which included but is not limited to the removal of the existing buildings situated on the land, the relocation of the existing residents, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. Pursuant to the Agreements, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed returns irrespective of whether the Group will obtain the land use rights of the land in the future. At 31 December 2015, the cost incurred for the land development is HK$3,158,493,000 (2014: HK$1,428,682,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

27. TRADE AND OTHER RECEIVABLES

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

Except for the proceeds from properties development and rental income from lease of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

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

	2015 ***HK$'000***	2014 *HK$'000* (Restated)
Trade receivables, aged		
0–30 days	**7,727,482**	5,731,418
31–90 days	**269,296**	255,188
Over 90 days	**487,364**	498,194
	8,484,142	6,484,800
Other receivables	**2,719,021**	1,964,856
	11,203,163	8,449,656

Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer.

The Group has insignificant trade receivable balances which are past due at the end of reporting period.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable 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 of the Company believe that there is no provision required as at the end of the reporting period.

28. AMOUNTS DUE FROM A FELLOW SUBSIDIARY/ASSOCIATES/JOINT VENTURES/ NON-CONTROLLING INTERESTS UNDER CURRENT ASSETS

At 31 December 2015, amounts due from a fellow subsidiary, associates, joint ventures and non-controlling interests are unsecured, interest-free and repayable on demand.

At 31 December 2014, except for the unsecured amount due from a joint venture of HK$456,332,000 which carried interest at fixed rate of 7.32% per annum and was repayable on demand, the remaining balances were unsecured, interest-free and repayable on demand.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

29. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents in the consolidated statement of financial position are restricted bank deposits of HK$1,873,053,000 (2014 restated: HK$1,566,635,000) which can only be applied in the designated property development projects.

All bank deposits of the Group carry interest at market rates which range from 0.01% to 6.10% (2014 restated: 0.01% to 6.00%) per annum.

As at the end of the reporting period, the Group has the following cash and cash equivalents denominated in foreign currencies:

	2015	2014
	HK$'000	*HK$'000*
Cash and cash equivalents denominated in:		
HK$	**14,218,716**	1,341,755
US$	**1,938,745**	6,360,140

30. TRADE AND OTHER PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Trade payables, aged		
0–30 days	**6,793,726**	10,259,865
31–90 days	**1,262,568**	3,794,375
Over 90 days	**12,461,163**	13,298,273
	20,517,457	27,352,513
Other payables	**2,947,464**	5,183,914
Retentions payable	**11,179,001**	10,281,319
	34,643,922	42,817,746

Other payables mainly include other taxes payable and accrued charges.

Of the other payables and retentions payable, an amount of approximately HK$2,600 million (2014 restated: approximately HK$2,363 million) is due beyond twelve months from the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

31. AMOUNTS DUE TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/ASSOCIATES/ JOINT VENTURES

At 31 December 2015 and 2014, amounts due to fellow subsidiaries and joint ventures of the Group are unsecured, interest-free and repayable on demand.

At 31 December 2015, except for the unsecured amount due to an associate of HK$791,367,000 (2014 restated: HK$963,733,000) which bears fixed interest rate at 0.35% (2014 restated: 0.35%) per annum and repayable on demand, the remaining amounts due to associates of the Group are unsecured, interest-free and repayable on demand.

At 31 December 2014, except for the amounts due to holding companies of HK$4,508,000,000 were unsecured, bore fixed interest rate at 5.54% and repayable on demand, the remaining amounts due to holding companies were unsecured, interest-free and repayable on demand. The entire amounts represented shareholders' loans owing by the Acquired Group to CSCECL, which bore interest ranging from 5.04% to 5.54% per annum upon the completion of Assets Acquisition and were fully settled by the Group during the year ended 31 December 2015.

32. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

At 31 December 2015, amounts due to non-controlling interests under current liabilities are unsecured and interest free.

At 31 December 2014, amounts due to non-controlling interests amounting to HK$124,454,000 under current liabilities were unsecured and bore interest at fixed rates at a range from 7.07% to 8.64% per annum. The remaining balances were unsecured and interest free.

Amounts due to non-controlling interests of HK$507,581,000 (2014 restated: HK$536,599,000) and HK$576,523,000 (2014 restated: HK$537,433,000) under non-current liabilities bear fixed and variable interest rates respectively at a range from 6% to 8% (2014 restated: at a range from 6% to 8%) per annum. All the amounts due to non-controlling interests under non-current liabilities are unsecured and repayment will not be demanded within one year from the end of the reporting period.

33. SHARE CAPITAL

	2015		2014	
	Number of shares *'000*	**Value** *HK$'000*	Number of shares *'000*	Value *HK$'000*
Issued and fully paid				
At beginning of the year	**8,173,976**	**19,634,031**	8,172,616	817,262
Transfers from share premium and capital redemption reserve	–	–	–	18,814,988
Issue of shares	**1,686,605**	**42,800,085**	–	–
Issue of shares upon exercise of share options	–	–	1,360	1,781
At end of the year	**9,860,581**	**62,434,116**	8,173,976	19,634,031

In connection with the Assets Acquisition (Note 3) and to replenish the capital resources and support future property development business of the Group and the Acquired Group after completion of the Assets Acquisition, COHL entered into a share subscription agreement to subscribe for 1,686,605,875 ordinary shares of the Company at HK$25.38 per share, with a net proceed of approximately HK$42,800,085,000.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

34. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000 (Restated)
Bank loans — secured	**1,395,154**	2,126,456
Bank loans — unsecured	**47,860,721**	47,053,896
	49,255,875	49,180,352

	2015 HK$'000	2014 HK$'000 (Restated)
The bank loans are repayable as follows:		
Within one year	**7,269,470**	22,541,806
More than one year, but not exceeding two years	**9,655,337**	9,434,511
More than two years, but not exceeding five years	**32,331,068**	17,204,035
Total bank loans	**49,255,875**	49,180,352
Less: Amounts classified as current liabilities	**(7,269,470)**	(22,541,806)
Amounts classified as non-current liabilities	**41,986,405**	26,638,546

Bank borrowings of the Group with carrying amount of HK$14,870,004,000 (2014: HK$17,518,646,000) bear interest at a range from 4.00% to 6.60% (2014: 4.00% to 7.32%) per annum and are denominated in Renminbi. At 31 December 2014, bank borrowing of the Group amounting to HK$503,182,000, which was denominated in US$, was based on LIBOR plus a specified margin per annum. Bank borrowing of the Group amounting to HK$2,195,931,000 (2014 restated: HK$2,306,063,000), which is denominated in GBP, is based on LIBOR plus a specified margin per annum. The remaining bank borrowings of the Group amounting to HK$32,189,940,000 (2014: HK$28,852,461,000), which are denominated in Hong Kong dollars, are based on HIBOR plus a specified margin per annum. The Group's weighted average borrowing cost excluding the effect of capitalisation of exchange difference of HK$1,160,000,000 (2014: HK$nil) (Note 9) is 4.23% (2014: 4.45%) per annum. Capitalisation of exchange difference represented the interest rate differential between borrowing costs that would be incurred if the Company's subsidiaries had borrowed funds in their functional currencies. Except for bank borrowings amounting to HK$4,589,429,000 (2014 restated: HK$4,835,416,000) which carry fixed interest rates, the remaining bank borrowings carry variable interest rates.

Secured bank loans related to bank borrowing of the Company's subsidiaries which were secured by certain of its stock of properties and investment properties.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

35. NOTES PAYABLE

As at 31 December 2015 and 2014, the Group issued notes with similar terms and conditions, and different features as follows:

Issue date	Principal amount *(in million)*	Issue price	Fixed interest rate per annum	Maturity date	Fair value as at 31 December 2015 *(HK$'million)*	Carrying amount as at 31 December 2015 *HK$'000*	Carrying amount as at 31 December 2014 *HK$'000*
10 November 2010	US$1,000 (i) (approximately HK$7,750)	100%	5.5% (iv)	10 November 2020	8,441	**7,712,241**	7,705,635
15 February 2012	US$750 (i) (approximately HK$5,816)	99.816%	4.875% (iv)	15 February 2017	5,974	**5,806,901**	5,799,559
15 November 2012	US$700 (i) (approximately HK$5,425)	99.665%	3.95% (iv)	15 November 2022	5,430	**5,379,536**	5,373,913
15 November 2012	US$300 (i) (approximately HK$2,325)	99.792%	5.35% (iv)	15 November 2042	2,196	**2,302,342**	2,301,970
29 October 2013	US$500 (i) (approximately HK$3,877)	99.613%	3.375% (iv)	29 October 2018	3,928	**3,856,948**	3,850,421
29 October 2013	US$500 (i) (approximately HK$3,877)	99.595%	5.375% (iv)	29 October 2023	4,185	**3,848,313**	3,845,478
29 October 2013	US$500 (i) (approximately HK$3,877)	99.510%	6.375% (iv)	29 October 2043	4,151	**3,840,020**	3,839,549
8 May 2014	US$550 (i) (approximately HK$4,263)	99.786%	4.25% (iv)	8 May 2019	4,416	**4,241,878**	4,236,018
8 May 2014	US$450 (i) (approximately HK$3,488)	99.554%	5.95% (iv)	8 May 2024	3,918	**3,459,002**	3,456,368
8 May 2014	US$250 (i) (approximately HK$1,938)	101.132%	4.25% (iv)	8 May 2019	2,007	**1,946,204**	1,948,450
8 May 2014	US$250 (i) (approximately HK$1,938)	103.080%	5.95% (iv)	8 May 2024	2,177	**1,981,166**	1,985,135
11 June 2014	US$500 (i) (approximately HK$3,876)	99.445%	6.45% (iv)	11 June 2034	4,193	**3,836,048**	3,834,946
15 July 2015	EUR600 (i) (approximately HK$5,086)	99.587%	1.75% (v)	15 July 2019	5,107	**5,039,645**	–
6 November 2015	EUR 400 (i) (approximately HK$3,375)	99.541%	1.70% (v)	6 November 2019	3,374	**3,357,810**	–
19 November 2015	RMB7,000 (ii) (approximately HK$8,393)	100%	3.40% (v)	19 November 2021	8,351	**8,393,285**	–
19 November 2015	RMB1,000 (iii) (approximately HK$1,199)	100%	3.85% (v)	19 November 2022	1,199	**1,199,041**	–
						66,200,380	48,177,442

Notes:

(i) *The notes payable are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which include, inter alia, the negative pledge given by the Company and the related subsidiaries. The fair values of the notes payable as at 31 December 2015 were determined based on the closing market prices of the notes payable at that date and are within level 1 of the fair value hierarchy.*

(ii) *The notes payable with terms for adjustment of the interest rate and sell back option at the end of third year from issue date. The fair values of the notes payable as at 31 December 2015 were determined based on the closing market prices of the notes payable at that date and are within level 1 of the fair value hierarchy.*

(iii) *The notes payable with terms for adjustment of the interest rate and sell back option at the end of fifth year from issue date. The fair values of the notes payable as at 31 December 2015 were determined based on the closing market prices of the notes payable at that date and are within level 1 of the fair value hierarchy.*

(iv) *Payable semi-annually*

(v) *Payable annually*

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

36. DEFERRED TAX

The following is the major deferred tax assets and liabilities recognised by the Group and movements thereon:

Deferred tax liabilities/(assets)

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Fair value adjustment on properties HK$'000	Undistributed earnings of PRC subsidiaries and joint ventures HK$'000	Other taxable temporary difference HK$'000	Provision for LAT HK$'000	Other deductible temporary difference HK$'000	Total HK$'000
At 1 January 2014, as previously reported	48,347	3,585,581	530,440	401,398	–	(2,277,091)	–	2,288,675
Acquisition of the Acquired Group *(Note 3)*	–	756,108	–	–	115,447	–	(116,122)	755,433
At 1 January 2014, as restated	48,347	4,341,689	530,440	401,398	115,447	(2,277,091)	(116,122)	3,044,108
Charged/(credited) to profit or loss	1,052	1,341,778	(367,185)	(13,113)	653	(568,557)	(13,537)	381,091
Reclassification upon transfer from completed properties to investment properties	–	88,622	(88,622)	–	–	–	–	–
Exchange realignment	–	(12,714)	(2,519)	–	(220)	7,000	378	(8,075)
At 31 December 2014, as restated	49,399	5,759,375	72,114	388,285	115,880	(2,838,648)	(129,281)	3,417,124
Charged/(credited) to profit or loss	(66)	1,590,486	–	(8,765)	–	(227,541)	23,329	1,377,443
Disposal of investment properties	–	(66,909)	–	–	–	–	–	(66,909)
Distributions in specie *(Note 38)*	–	(14,683)	–	–	–	–	9,807	(4,876)
Exchange realignment	–	(369,386)	(3,899)	–	(6,265)	146,533	4,669	(228,348)
At 31 December 2015	**49,333**	**6,898,883**	**68,215**	**379,520**	**109,615**	**(2,919,656)**	**(91,476)**	**4,494,434**

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Deferred tax assets	**(3,011,132)**	(2,967,929)
Deferred tax liabilities	**7,505,566**	6,385,053
	4,494,434	3,417,124

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

36. DEFERRED TAX *(continued)*

Deferred tax liabilities/(assets) *(continued)*

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$3,844 million (2014 restated: HK$2,949 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of approximately HK$6,486 million (2014 restated: HK$5,873 million) available for offseting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$1,645 million (2014 restated: HK$1,332 million) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

37. GOODWILL

	2015 ***HK$'000***	2014 *HK$'000*
Carrying amounts	**64,525**	109,021

At 31 December 2015, the amount represented goodwill arising from acquisition of the entire equity interest in Hua Yi Designing Consultants Limited ("Hua Yi"). Hua Yi and its subsidiary are principally engaged in the provision of building design consultancy services and investment holding. For the purpose of impairment testing, the attributable amount of goodwill, having indefinite useful lives, has been allocated to the other operations category in the reporting segment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

38. DISTRIBUTION IN SPECIE

On 23 October 2015, the entire issued share capital of COPL, the Company's wholly-owned subsidiary, was spun-off via a distribution in specie by the Company, and since then COPL became a separate listed company on the Main Board of the Hong Kong Stock Exchange. The share capital of COPL was spun-off and distributed to the owners of the Company as a special interim dividend of HK$3,089,649,000, which represents the fair value of COPL share distributed.

The distribution resulted in a non-cash gain of approximately HK$2,512,965,000, representing the difference between the fair value and the net assets value of COPL.

Details of net assets of COPL at date of distribution in specie are set out below:

Net assets distributed as at the date of distribution in specie

	HK$'000
Investment properties	69,834
Property, plant and equipment	43,889
Prepaid lease payment for land	4,478
Investment in an associate	298
Inventories	698
Trade and other receivables	418,091
Deposits and Prepayments	20,373
Cash and cash equivalents	1,339,723
Trade and other payables	(1,056,988)
Tax liabilities	(84,836)
Bank borrowings	(174,000)
Deferred tax liabilities	(4,876)
Carrying value of net assets distributed	576,684

Analysis of net outflow of cash and cash equivalents in respect of the distribution in specie:

	HK$'000
Cash proceeds on distribution in specie	–
Cash and cash equivalents distributed	1,339,723
Net cash outflow of cash and cash equivalents in respect of distribution in specie	1,339,723

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

38. DISTRIBUTION IN SPECIE *(continued)*

Net assets distributed as at the date of distribution in specie *(continued)*

Analysis of net gain on distribution in specie:

	HK$'000
Fair value of COPL	3,089,649
Less: Net assets value of COPL	(576,684)
Net gain on distribution in specie	2,512,965

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2014

(a) Disposal of 北京奧城五合置業有限公司

In previous years, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party to dispose the Group's entire equity interest in 北京奧城五合置業有限公司 ("Beijing Aocheng"), a then wholly-owned subsidiary of the Company principally engaged in property development in Beijing, the PRC, at a cash consideration of approximately RMB1,511 million (equivalent to approximately HK$1,915 million).

During the year ended 31 December 2014, the Group has completed its obligations relating to the disposal as set out in the Agreement (the "Completion Date"), and a gain on disposal of HK$735,916,000 was recognised.

As at 31 December 2015, a 50% legal interest in Beijing Aocheng is yet to be transferred to the purchaser and the amount attributable to such interest of HK$926,165,000 (2014: HK$957,903,000) is classified as assets held for sale. No cumulative income or expense were recognised in other comprehensive income relating to the assets held for sale.

The net assets of Beijing Aocheng as at the Completion Date were as follows:

	HK$'000
Property, plant and equipment	7
Stock of properties	4,007,498
Cash and cash equivalents	2,337
Trade and other payables	(2,830,986)
	1,178,856
Total consideration	1,914,772
Gain on disposal	735,916

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

39. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2014 *(continued)*

(a) Disposal of 北京奥城五合置業有限公司 *(continued)*

The net cash inflow arising on the disposal is as follow:

	HK$'000
Net cash inflow arising on disposal:	
Total consideration	1,914,772
Less: Consideration receivable	(957,386)
Cash consideration received	957,386
Less: Cash and cash equivalents disposed of	(2,337)
	955,049

(b) Disposal of 北京奥南時代置業有限公司

On 24 September 2014, the Group entered into a sale and purchase agreement with CSCECL to dispose of the Group's entire equity interest in 北京奥南時代置業有限公司 ("北京奥南時代"), a then wholly-owned subsidiary of the Company, at a cash consideration of approximately RMB10 million (equivalent to approximately HK$12.7 million). 北京奥南時代 engaged in property development in Beijing, the PRC.

The net assets of 北京奥南時代 at the date of disposal were as follows:

	HK$'000
Stock of properties	3,180,673
Trade and other receivables	49,315
Cash and cash equivalents	38,337
Trade and other payables	(3,255,649)
Total cash consideration	12,676
Net cash outflow arising on disposal:	
Cash consideration received	12,676
Less: cash and cash equivalents disposed of	(38,337)
	(25,661)

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

40. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2015

(a) Acquisition of China Overseas Grand Oceans Property Management Limited

On 18 May 2015, China Overseas Property Management Limited ("COPL PRC Holding"), a wholly-owned subsidiary of the COPL, and China Overseas Grand Oceans Property Group Company ("COGO Property"), a wholly-owned subsidiary of COGO, entered into an equity transfer agreement whereby COGO Property agreed to transfer the entire equity interests of China Overseas Grand Oceans Property Management Limited ("COGOPM Holding") to COPL PRC Holding at a consideration of approximately RMB50,000,000 (equivalent of approximately HK$63,161,000). COGOPM Holding, together with its wholly-owned subsidiaries, 廣州市光大花園物業管理有限公司 and 呼和浩特市中海物業服務有限公司, mainly engaged in property management business. Following the spin-off transaction of COPL on 23 October 2015 (see details in Note 38), the entire equity interests of COPL PRC Holding has been spun-off accordingly.

The acquisition-related costs have been expensed off and are included in the administrative expenses in the profit or loss.

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

	Fair value on acquisition *HK$'000*
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	526
Inventories	100
Trade and other receivables, and prepayments	421
Amount due from a related company *(note)*	66,923
Cash and cash equivalents	29,535
Trade and other payables	(26,436)
Receipts in advance and deposits	(7,390)
Tax liabilities	(518)
Total identifiable net assets acquired	63,161
Net cash outflow arising from acquisition:	
Cash consideration paid	(63,161)
Cash and cash equivalents acquired of	29,535
	(33,626)

Note: The amount due from a related company was settled as at 31 May 2015.

COGOPM Holding had contributed to the Group's revenue and profit amounting to approximately HK$39,016,000 and HK$9,976,000 respectively for the period between the date of acquisition and 22 October 2015.

Had the acquisition of COGOPM Holding been completed on 1 January 2015, the Group's revenue and profit for the period from 1 January 2015 to 22 October 2015 would have been approximately HK$148,127,589,000 and HK$34,055,349,000 respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

40. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2014

(b) Acquisition of Orion III European 20 S.a.r.l.

On 23 May 2014, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Orion III European 20 S.a.r.l. at a cash consideration of approximately £142.8 million (equivalents to approximately HK$1,724 million). The acquiree mainly owns an investment property in London for property investment. The transaction is accounted for as acquisition of assets.

The fair value of aggregate assets acquired and liabilities assumed in the transaction were as follows:

	Fair value on acquisition *HK$'000*
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Investment property	1,722,482
Other receivables	180
Cash and cash equivalents	3,235
Other payables	(903)
Borrowings	(369,836)
Amount due to a former shareholder's affiliated undertakings	(551,030)
Total identifiable net assets acquired	804,128
Net cash outflow arising from acquisition:	
Cash paid	(1,724,994)
Cash and cash equivalents acquired	3,235
Less: Repayment of borrowings and amount due to a former shareholder's affiliate undertakings	920,866
	(800,893)

During the year ended 31 December 2014, Orin III European 20 S.a.r.l. had contributed to the Group's revenue and loss amounting to approximately HK$nil and HK$nil, respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

41. OPERATING LEASE COMMITMENT

The Group as Lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of approximately HK$50,259 million (2014 restated: approximately HK$40,823 million) and approximately HK$235 million (2014: approximately HK$236 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK$1,915 million (2014 restated: approximately HK$1,643 million), of which approximately HK$1,871 million (2014 restated: approximately HK$1,621 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to eighteen years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Within one year	**1,731,284**	1,581,818
In the second to fifth year inclusive	**2,818,035**	2,861,438
After five years	**1,563,531**	1,568,086
	6,112,850	6,011,342

The Group as Lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	2015 *HK$'000*	2014 *HK$'000* (Restated)
Within one year	**95,226**	103,629
In the second to fifth year inclusive	**137,651**	137,699
After five years	**5,717**	8,486
	238,594	249,814

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for two to six years (2014: two to six years).

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

42. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitment not provided for in the consolidated financial statements:

Capital expenditure in respect of investment properties:

	2015	2014
	HK$'000	*HK$'000*
Contracted but not provided for	**4,860,392**	1,459,993

43. CONTINGENT LIABILITIES

At the end of the reporting period, there were financial guarantee as follows:

(a) Guarantees given and indemnities provided by the Group to banks in respect of credit facilities granted to:

	2015	2014
	HK$'000	*HK$'000*
Joint ventures		
— Maximum	**1,048,561**	1,646,597
— Utilised	**1,048,561**	1,646,597

(b) At 31 December 2015, the Group had counter indemnities accounting to approximately HK$977 million for guarantees issued in respect of certain construction contracts (2014: HK$751 million in respect of certain construction contracts and property management contracts) undertaken by the Group.

(c) The Group provided guarantees amounted to approximately HK$24,470 million (2014 restated: HK$20,559 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

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

44. PLEDGE OF ASSETS

At the ended of the reporting period, certain stock of properties and investment properties of the Group with an aggregate carrying values of approximately HK$6,771 million (2014 restated: HK$7,464 million) have been pledged to secure the bank borrowings of its subsidiaries, associate and fellow subsidiary.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

45. RELATED PARTY TRANSACTIONS

(a) In addition to those disclosed in other sections of the financial statements, the following significant related party transactions have been entered into by the Group during the year:

Nature of transaction	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Fellow subsidiaries			
Property development project construction fee	(a)	3,506,642	3,274,739
Rental income	(b)	15,680	14,824
Insurance fee	(c)	1,030	1,215
Security income	(a)	14,785	17,163
Heating pipes connection service cost	(a)	35,581	71,577
Building design consultancy income	(c)	2,346	5,446
Property management fee	(f)	124,937	–
Engineering services fee	(f)	10,573	–
Management fees income	(c)	8,285	100,000
Holding companies			
Interest expense	(g)	221,720	248,627
Associates			
Royalty income	(e)	165,170	138,233
Rental expense	(b)	17,431	16,545
Property management income	(f)	7,431	–
Joint ventures			
Interest income	(d)	63,518	80,085
Property management income	(f)	17,061	14,342

Notes:

(a) *Property development project construction fee, security income and heating pipes connection service cost are charged by in accordance with respective contracts. The amounts represent aggregate transaction amounts during the year in relation to contracts signed in current and prior years.*

(b) *Rental income and expense are charged in accordance with respective tenancy agreements.*

(c) *Insurance fee, building design consultancy income and management fees income are charged in accordance with respective contracts.*

(d) *Interest income is charged at interest rates as specified in Notes 22 and 28 on the outstanding amounts.*

(e) *Royalty income is charged at annual fee as specified in the contract.*

(f) *Property management fees, engineering services fee and property management income are charged at rates in accordance with respective contracts.*

(g) *The loans represent loans from holding companies. Details of the loans are specified in Note 31. The loans are connected transactions which fulfil certain requirements contained in Rule 14A.90 of the Listing Rules. It is exempt from any disclosure or other obligations under Chapter 14A of the Listing Rules.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

45. RELATED PARTY TRANSACTIONS *(continued)*

(b) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**38,099**	35,473
Bonus	**106,629**	98,051
Mandatory Provident Fund contribution	**326**	286
	145,054	133,810

The emoluments of other members of key management of the Group were within the following bands:

	2015	2014
Below HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$5,000,000	**4**	3
HK$5,000,001 to HK$7,500,000	**3**	3
HK$7,500,001 to HK$10,000,000	**5**	5
HK$10,000,001 to HK$12,500,000	**1**	1
	17	13

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Transactions with Other State-controlled Entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled Entities"). The directors of the Company consider those State-controlled Entities are independent third parties so far as the Group's businesses with them are concerned.

In connection with their property development activities, the Group awarded certain construction and other works contracts to entities, which to the best knowledge of management, are State-controlled Entities.

The Group has also entered into various transactions with the PRC government departments or agencies which include the acquisition of land mainly through tendering to those government departments or agencies.

Other than those disclosed in section (a) above and the acquisition of land from the government departments or agencies, the directors of the Company consider that the other transactions with those State-controlled Entities are not significant to the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

45. RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with Other State-controlled Entities in the PRC *(continued)*

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are State-controlled Entities. In view of the nature of those transactions, the directors of the Company are of the opinion that quantitative information on the extent of transactions between the Group and the government related entities would not be meaningful.

The Group is active in sales and lease of properties, the provision of real estate agency and management services and other services in various provinces in the PRC. The directors of the Company are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled Entities. However, the directors are of the opinion that other than those disclosed in section (a) above, the transactions with State-controlled Entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and Notes 22, 28, 31 and 32.

46. EVENT AFTER THE REPORTING PERIOD

On 14 March 2016, the Company (as the purchaser and the guarantor), CITIC Pacific Limited and CITIC Corporation Limited (both wholly-owned subsidiaries of CITIC Limited, as the sellers) and CITIC Limited (as the guarantor) entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), for the acquisition of the entire issued share capital of each of Tuxiana Corp. and CITIC Real Estate Group Company Limited (together with their respective subsidiaries, the "CITIC Target Group") and the outstanding loans and advance owing by the CITIC Target Group to CITIC Limited and its subsidiaries, subject to the terms and conditions in the Sale and Purchase Agreement. The CITIC Target Group shall, upon completion of the relevant reorganisation, hold the residential-focused property development projects owned by CITIC Limited. The initial consideration of the acquisition is RMB31 billion (equivalent to HK$37.08 billion, subject to the adjustments as provided in the Sale and Purchase Agreement), and shall be satisfied through (i) an amount of HK$29.72 billion to be settled by the allotment and issue of 1,095,620,154 shares of the Company at an issue price of HK$27.13 per share at completion to the sellers; and (ii) an amount of RMB6.15 billion (equivalent to HK$7.36 billion) to be settled by the transfer of a portfolio of properties at completion to the sellers.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2015 *HK$'000*	2014 *HK$'000*
Non-current Assets			
Property, plant and equipment		**4,717**	5,499
Investments in subsidiaries		**2,375,278**	1,927,777
Amounts due from subsidiaries		**9,949,481**	7,848,982
		12,329,476	9,782,258
Current Assets			
Stock of properties		**1,328**	1,351
Other receivables		**74,335**	8,888
Deposits and prepayments		**35,248**	303,622
Amounts due from subsidiaries		**93,472,563**	79,592,414
Tax prepaid		**118**	118
Cash and cash equivalents		**36,729,264**	2,233,047
		130,312,856	82,139,440
Current Liabilities			
Other payables		**49,132**	48,224
Other deposits		**171**	172
Amounts due to subsidiaries		**37,423,772**	31,477,714
Tax liabilities		**18,643**	18,643
Bank borrowings — due within one year		**4,738,295**	18,418,977
Other financial liabilities		**378,374**	133,532
		42,608,387	50,097,262
Net Current Assets		**87,704,469**	32,042,178
Total Assets Less Current Liabilities		**100,033,945**	41,824,436
Capital and Reserves			
Share capital		**62,434,115**	19,634,031
Reserves	*Note (a)*	**4,833,543**	5,882,732
Total Equity		**67,267,658**	25,516,763
Non-current Liabilities			
Bank borrowings — due after one year		**32,041,073**	15,772,082
Other financial liabilities		**725,214**	535,591
		32,766,287	16,307,673
		100,033,945	41,824,436

The statement of financial position of the Company was approved by the Board of Directors on 18 March 2016 and were signed on its behalf by:

Hao Jian Min *DIRECTOR*	**Xiao Xiao** *DIRECTOR*

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note (a) Reserves of the Company

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2014	18,796,190	18,798	500	1,969,042	3,980,642	24,765,172
Transfer on 3 March 2014	(18,796,190)	(18,798)	–	–	–	(18,814,988)
Profit and total comprehensive income for the year	–	–	–	(110,026)	4,048,084	3,938,058
Issue of shares upon exercise of share options	–	–	(262)	–	–	(262)
Share options expired	–	–	(238)	–	238	–
2013 final dividend paid	–	–	–	–	(2,370,453)	(2,370,453)
2014 interim dividend paid	–	–	–	–	(1,634,795)	(1,634,795)
At 31 December 2014	–	–	–	1,859,016	4,023,716	5,882,732
Profit and total comprehensive income for the year	–	–	–	(2,963,219)	10,426,998	7,463,779
2014 final dividend paid	–	–	–	–	(3,451,203)	(3,451,203)
2015 interim dividend paid	–	–	–	–	(1,972,116)	(1,972,116)
Distribution in specie (Note 38)	–	–	–	–	(3,089,649)	(3,089,649)
At 31 December 2015	**–**	**–**	**–**	**(1,104,203)**	**5,937,746**	**4,833,543**

The Company's reserves available for distribution to shareholders at 31 December 2015 represents the retained profits of approximately HK$5,938 million (2014: approximately HK$4,024 million).

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is the particulars of the principal subsidiaries at 31 December 2015 which, in the opinion of the directors of the Company, principally affects the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Ace Dragon Development Limited	1 share of HK$1	–	100	Property development
Advocate Properties Limited	100,000 shares of HK$1 each	–	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	–	100	Property investment
Carmelite Riverside London S.a.r.l.(viii)	15,000 shares of GBP1 each	–	100	Property investment
China Overseas Finance (Cayman) II Limited(vi)	1 share of US$1	100	–	Issuance of notes
China Overseas Finance (Cayman) III Limited(vi)	1 share of US$1	100	–	Issuance of notes
China Overseas Finance (Cayman) IV Limited(vi)	1 share of US$1	100	–	Issuance of notes
China Overseas Finance (Cayman) V Limited(vi)	1 share of US$1	100	–	Issuance of notes
China Overseas Finance (Cayman) VI Limited (vi)	1 share of US$1	100	–	Issuance of notes
China Overseas Land International (Cayman) Limited(vi)	1 share of US$1	100	–	Issuance of notes
China Overseas Land International II (Cayman) Limited(vi)	1 share of US$1	100	–	Issuance of notes
China Overseas Property Agency Limited	2 shares of HK$1 each	–	100	Real estate agency
China Overseas Property Limited	100 shares of HK$10 each	100	–	Investment holding, property consultancy and real estate agency

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	–	100	Investment holding
China Overseas Property Investment Limited	10,000 shares of HK$1 each	–	100	Property investment
China Overseas Prosperous Citycharm Investments Limited(i)	1 share of US$1	100	–	Investment holding
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	–	100	Investment holding
China Super Group Limited(i)	1 share of US$1	–	100	Investment holding
Chinatone Industrial Limited	1 share of HK$1	–	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	–	Loan financing, investment holding and security investments
Classic China Products Limited	10,000 shares of HK$100 each	–	100	Investment holding
Elite Way International Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Entrepot Limited	100 shares of HK$1 each	–	100	Property development
Further Good Development Limited	100 shares of HK$1 each	–	100	Property development
Gain Direct Limited(i)	1 share of US$1	–	100	Investment holding
Gain Regent Company Limited	2 shares of HK$1 each	–	100	Property development
Gold Jade International Holdings Limited	1 share of HK$1	–	100	Investment holding
Goldwell Development Limited	100 share of HK$1 each	–	100	Property development, trading and investment
Goodrich Company Limited(vii)	MOP25,000	–	100	Property development
Grand Shine Development Limited	1 shares of HK$1	100	–	Investment holding
Great Fortune Property Limited(ix)	48,100,000 shares of GBP1 each	–	100	Property investment

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Great Sky Property Investment Company Limited(vii)	MOP25,000	–	100	Property development
Great Trend Investment Limited	10,000 shares of HK$1 each	–	100	Investment holding
Hainan Ruler Limited(i)	1 share of US$1	100	–	Investment holding
Hua Yi Design Consultants Limited	1,000,000 shares of HK$1 each	100	–	Design consultancy services and investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited(vii)	MOP1,000,000	–	100	Property development
Kee Yet Company Limited	2 shares of HK$1 each	–	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	–	100	Investment holding
Longcross Limited	30,370,000 shares of HK$1 each	–	100	Property investment
Macfull Limited	1,000 shares of HK$1 each	–	60	Property development
Macyat Limited	10,000 shares of HK$1 each	–	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	–	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	–	100	Property development
Ocean Group Limited	2 shares of HK$1 each	–	100	Property investment
Omar Property Development Company Limited(vii)	MOP26,000	–	85	Property development
On Success Development Limited	10,000 shares of HK$1 each	–	100	Property investment
One Finsbury Circus London PropCo S.a.r.l.(viii)	12,024 shares of GBP1 each	–	100	Property investment
Peak Top Enterprises Limited(i)	1 share of US$1	–	100	Investment holding
Proud Sea International Limited(i)	10 shares of US$1 each	90	–	Investment holding

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Right Max Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Seawave Company Ltd(i)	1 share of US$1	–	100	Investment holding
Splendid Return Limited(i)	50,000 shares of US$1 each	–	100	Investment holding
Total Wonder Limited(i)	1 share of US$1	–	100	Investment holding
Treasure Trinity Limited(i)	1 share of US$1	–	100	Investment holding
Wealth Join Development Limited	1 share of HK$1	–	100	Property development
Widenews Company Limited ("Widenews")	2 shares of HK$1 each(iii)	–	100	Property development and investment holding
Winwhole Development Limited	100 shares of HK$1 each	–	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	–	100	Investment holding
中海發展(上海)有限公司(ii)	US$17,000,000	–	100	Property development and trading
上海新海匯房產有限公司(iv)	US$40,000,000	–	99.5	Property development
上海錦港房地產發展有限公司(v)	RMB20,000,000	–	100	Property development
上海中海海怡房地產有限公司(v)	RMB20,000,000	–	100	Property development
上海中海海富房地產有限公司(v)	RMB10,000,000	–	100	Property development
上海中海海容房地產有限公司(v)	RMB10,000,000	–	100	Property development
上海海創房地產有限公司(v)	RMB10,000,000	–	100	Property development
上海中建嘉好地產有限公司(v)	RMB50,000,000	–	100	Property development
上海中建投資有限公司(v)	RMB450,000,000	–	51	Property investment

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
華東中建地產有限公司(v)	RMB50,000,000	–	100	Property development
大連中海地產有限公司(v)	RMB20,000,000	–	100	Property development
大連中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
中海東豐地產(大連)有限公司(ii)	RMB880,000,000	–	100	Property development
中海新海匯(大連)置業有限公司(v)	RMB20,000,000	–	100	Property development
大連中海新城置業有限公司(v)	RMB378,520,000	–	100	Property development
中山市中海房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
中海興業(西安)有限公司(ii)	US$60,000,000	–	100	Property development
中海鼎盛(西安)房地產有限公司(ii)	RMB2,000,000,000	–	100	Property development
中海鼎業(西安)房地產有限公司(ii)	RMB1,570,500,000	–	100	Property development
西安中海振興房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
西安中建地產有限公司(v)	RMB50,000,000	–	100	Property development
西安中建滻灞置業有限公司(v)	RMB71,430,000	–	70	Property development
中海發展(蘇州)有限公司(ii)	US$50,000,000	–	100	Property development
中海地產(蘇州)有限公司(ii)	US$50,000,000	–	100	Property development
中海英奧置業(蘇州)有限公司(ii)	US$99,000,000	–	100	Property development
中海海盛(蘇州)房地產有限公司(v)	RMB30,000,000	–	100	Property development
中海海通(蘇州)房地產有限公司(v)	RMB20,000,000	–	100	Property development
中海海潤(蘇州)房地產有限公司(v)	RMB30,000,000	–	100	Property development
中海海納(蘇州)房地產有限公司(v)	RMB445,000,000	–	100	Property development
中海興業(寧波)有限公司(ii)	US$33,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
寧波中海創城有限公司(v)	RMB1,800,000,000	–	100	Property development
寧波中海海興置業有限公司(v)	RMB20,000,000	–	100	Property development
寧波中海海尚置業有限公司(v)	RMB20,000,000	–	100	Property development
天津中海嘉業投資有限公司(v)	RMB30,000,000	–	100	Property development
天津中海地產有限公司(v)	RMB30,000,000	–	100	Property development
天津中海海盛地產有限公司(v)	RMB3,540,000,000	–	100	Property development
天津中海海華地產有限公司(v)	RMB100,000,000	–	90	Property development
北京中海地產有限公司(v)	RMB50,000,000	–	100	Property development
北京中海豪庭房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
北京中海廣場置業有限公司(v)	RMB30,000,000	–	100	Property development
北京中海海洋花園房地產開發有限公司(iv)	US$11,920,000	–	72	Property development
北京嘉益德房地產開發有限公司(v)	RMB50,000,000	–	100	Property development
北京古城興業置業有限公司(v)	RMB50,000,000	–	70	Property development
北京中海豪景房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
北京鑫景通達置業有限公司(v)	RMB10,000,000	–	100	Property development
北京世紀順龍房地產開發有限公司(v)	RMB30,000,000	–	51	Property development
北京中海金石房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
北京中海新城置業有限公司(v)	RMB100,000,000	–	100	Property development
北京安泰興業置業有限公司(v)	RMB10,000,000	–	100	Property development
中建國際建設有限公司(v)	RMB342,450,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
北京智地願景房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
北京智地普惠房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
北京仁和燕都房地產開發有限公司(v)	RMB40,000,000	–	100	Property development
北京中建興華房地產開發有限公司(v)	RMB10,000,000	–	80	Property development
北京慧眼置業有限公司(v)	RMB25,000,000	–	80	Property development
中海興業(成都)發展有限公司(ii)	US$99,000,000	–	100	Property development
中海信和(成都)物業發展有限公司(ii)	HK$420,000,000	–	80	Property development
中海振興(成都)物業發展有限公司(ii)	US$89,800,000	–	100	Property development
成都中海鼎盛房地產開發有限公司(v)	RMB50,000,000	–	100	Property development
鉅星(成都)商務服務有限公司(ii)	RMB68,000,000	–	100	Property development
中海嘉泓(成都)房地產開發有限公司(ii)	RMB250,000,000	–	100	Property development
中海佳誠(成都)房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
中海地產(佛山)有限公司(ii)	RMB1,100,000,000	–	100	Property development
佛山市中海興業房地產開發有限公司(ii)	US$50,000,000	–	100	Property development
佛山中海千燈湖房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
佛山中海環宇城房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
佛山中海嘉益房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
佛山海裕房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
瀋陽中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
瀋陽中海新海匯置業有限公司(v)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中海地產(瀋陽)有限公司(v)	US$199,600,000	–	100	Property development
瀋陽中海嘉業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
瀋陽中海鼎業房地產開發有限公司(ii)	US$290,000,000	–	100	Property development
杭州中海房地產有限公司(ii)	US$99,800,000	100	–	Property development
中海發展(杭州)有限公司(ii)	US$49,800,000	–	100	Property development
中海地產(杭州)有限公司(iv)	US$99,800,000	74.5	25.5	Property development
杭州中海宏鯤房地產有限公司(v)	RMB500,000,000	–	100	Property development
杭州中海城溪房地產有限公司(ii)	RMB913,000,000	–	100	Property development
長沙中海興業房地產有限公司(ii)	RMB662,000,000	–	100	Property development
長沙中建投資有限公司(v)	RMB100,000,000	–	70	Investment holding
長沙中海梅溪房地產開發有限公司(v)	RMB50,000,000	–	95	Property development
長春中海地產有限公司(iv)	RMB100,000,000	–	100	Property development
長春海華房地產開發有限公司(ii)	US$49,800,000	–	100	Property development
長春海悦房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
長春海成房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
青島中海華業房地產有限公司(ii)	RMB3,130,000,000	–	100	Property development
中海地產(青島)投資開發有限公司(v)	US$259,800,000	–	100	Property development
青島中海盛興房地產有限公司(v)	RMB100,000,000	–	100	Property development
青島中海海灣置業有限公司(v)	RMB10,000,000	–	100	Property development
青島中海海岸置業有限公司(v)	RMB500,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
南京中海地產有限公司(v)	RMB20,000,000	–	100	Property development
南京海潤房地產開發有限公司(iv)	US$50,000,000	–	100	Property development
南京中海海浦房地產有限公司(v)	RMB30,000,000	–	100	Property development
南京海麒房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
南京中海滿高房地產開發有限公司(ii)	RMB315,000,000	–	100	Property development
南京海高房地產開發有限公司(v)	RMB2,000,000,000	–	100	Property development
南昌中海地產有限公司(v)	RMB20,000,000	–	100	Property development
南昌中海金鈺地產有限公司(v)	RMB10,000,000	–	100	Property development
中海地產重慶有限公司(v)	RMB20,000,000	–	100	Property development
重慶中工建設有限公司(v)	RMB50,000,000	–	100	Property development
重慶中海實業有限公司(ii)	HK$1,300,000,000	–	100	Property development
重慶嘉安置業有限公司(ii)	HK$300,000,000	–	100	Property development
重慶寶民置業有限公司(ii)	HK$490,000,000	–	100	Property development
重慶海安投資有限公司(v)	RMB20,000,000	–	100	Property development
重慶安喬置業有限公司(v)	RMB440,000,000	–	100	Property development
香港華藝設計顧問(深圳)有限公司(ii)	RMB12,000,000	–	100	Design consultancy services
北京中海華藝城市規劃設計有限公司(v)	RMB1,000,000	–	90	Design consultancy services
中海地產(珠海)有限公司(ii)	RMB405,000,000	–	100	Property development
珠海市嘉業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
珠海市永福通房地產開發有限公司(v)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
廣逸房地產開發(珠海)有限公司(iv)	HK$1,200,000,000	–	100	Property development
珠海市海利達諮詢服務有限公司(v)	RMB100,000	–	100	Property development
珠海市啟光諮詢服務有限公司(v)	RMB100,000	–	100	Property development
珠海經濟特區卓運房產有限公司(v)	RMB10,000,000	–	100	Property development
珠海市嘉燁房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
中海地產集團有限公司(ii)	RMB10,000,000,000	–	100	Property development, trading and investment and investment holding
深圳中海地產有限公司(iv)	HK$50,000,000	–	100	Property development
深圳市中海海景山莊物業發展有限公司(v)	RMB10,000,000	–	60	Property development
深圳市中海日輝台物業發展有限公司(v)	RMB41,791,108	–	100	Property development
中海寶松物業發展(深圳)有限公司(ii)	HK$262,500,000	–	100	Property development
深圳市龍富房地產開發有限公司(v)	RMB150,000,000	–	100	Property development
深圳市中海凱驪酒店管理有限公司 (formerly known as 深圳市中海凱驪酒店有限公司)(v)	RMB5,000,000	–	100	Hotel management
深圳市毅駿房地產開發有限公司(v)	RMB12,500,000	–	80	Property development
海口中海興業房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
中海地產商業發展(深圳)有限公司(ii)	RMB20,000,000	–	100	Commercial project investment consultancy services
中海地產營銷管理(深圳)有限公司(v)	RMB20,000,000	–	100	Real estate agency

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中海地產工程管理(深圳)有限公司(v)	RMB20,000,000	–	100	Real estate project management
廈門中海地產有限公司(v)	RMB20,000,000	–	100	Property development
廈門海合美地產有限公司(v)	RMB10,000,000	–	51	Property development
廈門中海海怡地產有限公司(v)	RMB10,000,000	–	100	Property development
昆明中海房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
雲南中海城投房地產開發有限公司(v)	RMB10,000,000	–	65	Property development
昆明泰運房地產開發有限公司(ii)	RMB504,375,770	–	100	Property development
煙臺中海地產有限公司(v)	RMB10,000,000	–	100	Property development
中海鼎業(煙臺)地產有限公司(ii)	RMB300,000,000	–	100	Property development
煙臺中海興業地產有限公司(v)	RMB10,000,000	–	100	Property development
中海發展(廣州)有限公司(ii)	US$21,000,000	–	100	Investment holding, property development, building construction and project management
廣州中海名都房地產發展有限公司(ii)	RMB400,000,000	–	100	Property development
廣州中海地產有限公司(v)	RMB100,000,000	–	100	Property development
廣州瑾熙房地產投資諮詢有限公司(ii)	RMB1,000,000	–	100	Property development
廣州廣奧房地產發展有限公司(v)	RMB10,000,000	–	100	Property development
廣州毅源房地產開發有限公司(v)	RMB10,000,000	–	90	Property development
廣州世佳房地產開發有限公司(v)	RMB10,000,000	–	90	Property development
廣州荔安房地產開發有限公司(v)	RMB2,800,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
廣州荔駿房地產開發有限公司(v)	RMB2,800,000,000	–	100	Property development
廣州荔旭房地產開發有限公司(v)	RMB1,300,000,000	–	100	Property development
廣州荔璟房地產開發有限公司(v)	RMB1,350,000,000	–	100	Property development
濟南中海地產有限公司(ii)	US$98,000,000	–	100	Property development
濟南中海地產投資有限公司(v)	RMB50,000,000	–	100	Property development
濟南中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
濟南中海城房地產開發有限公司(v)	RMB30,000,000	–	100	Property development
濟南中海華山瓏城商業地產開發有限公司(v)	RMB450,000,000	–	100	Property development
哈爾濱中海地產有限公司(v)	RMB20,000,000	–	100	Property development
哈爾濱中海龍祥房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
中海興業武漢房地產有限公司(v)	RMB20,000,000	–	100	Property development
太原冠澤置業有限公司(v)	RMB200,000,000	–	100	Property development
福州中海地產有限公司(v)	RMB30,000,000	–	100	Property development
無錫中海太湖新地置業有限公司(v)	RMB10,200,000	–	51	Property development
無錫中海海潤置業有限公司(v)	RMB10,200,000	–	51	Property development
鄭州海創房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
濰坊中海興業房地產有限公司(v)	RMB50,000,000	–	100	Property development
新疆中海地產有限公司(v)	RMB100,000,000	–	60	Property development
中海淄博置業有限公司(ii)	HK$770,000,000	–	100	Property development
淄博中海海頤置業有限公司(v)	RMB266,360,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/ registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
淄博中海海昌置業有限公司(v)	RMB206,571,410	–	100	Property development
淄博中海海悦置業有限公司(v)	RMB220,369,600	–	100	Property development

(i) Incorporated in the British Virgin Islands
(ii) Foreign investment enterprise registered in the PRC
(iii) Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.
(iv) Joint stock limited company established in the PRC
(v) Limited liability company registered in the PRC
(vi) Incorporated in the Cayman Islands
(vii) Incorporated in Macau
(viii) Incorporated in Luxemberg
(ix) Incorporated in Jersey

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Finance (Cayman) II Limited, China Overseas Finance (Cayman) III Limited, China Overseas Finance (Cayman) IV Limited, China Overseas Finance (Cayman) V Limited, China Overseas Finance (Cayman) VI Limited, China Overseas Land International (Cayman) Limited, China Overseas Land International II (Cayman) Limited and 中海地產集團有限公司, which have issued US$1,000,000,000, US$1,500,000,000, US$750,000,000, US$1,000,000,000, US$2,000,000,000, EUR600,000,000, EUR400,000,000 and RMB8,000,000,000 notes payable (Note 35), respectively.

Five Year Financial Summary

For the year ended 31 December 2015

(A) CONSOLIDATED RESULTS

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Revenue	57,106,273	68,092,642	92,382,943	138,505,187	**148,074,399**
Business Tax	(2,827,037)	(3,596,065)	(4,738,348)	(7,547,712)	**(7,943,748)**
Net Revenue	54,279,236	64,496,577	87,644,595	130,957,475	**140,130,651**
Operating profit	23,354,732	27,356,443	29,574,815	43,607,001	**45,907,545**
Gain on deemed disposal of subsidiaries	45,628	–	–	–	**–**
Net gain on distribution in specie	–	–	–	–	**2,512,965**
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	–	–	1,458,176	–	**–**
Share of profits of					
Associates	567,204	434,141	1,293,822	700,770	**349,848**
Joint ventures	721,491	2,406,055	2,928,856	560,627	**626,791**
Finance costs	(641,762)	(375,172)	(354,159)	(544,767)	**(574,025)**
Profit before tax	24,047,293	29,821,467	34,901,510	44,323,631	**48,823,124**
Income tax expenses	(8,344,835)	(10,554,973)	(10,604,944)	(16,572,698)	**(14,772,254)**
Profit for the year	15,702,458	19,266,494	24,296,566	27,750,933	**34,050,870**
Attributable to:					
Owners of the Company	15,551,916	19,125,056	23,926,122	27,200,018	**33,312,083**
Non-controlling interests	150,542	141,438	370,444	550,915	**738,787**
	15,702,458	19,266,494	24,296,566	27,750,933	**34,050,870**

Five Year Financial Summary (continued)

For the year ended 31 December 2015

(B) CONSOLIDATED NET ASSETS

	At 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Non-current assets					
Investment properties	21,689,265	29,411,693	40,733,440	54,920,548	**64,057,066**
Deposits for acquisition of an investment property	–	–	–	–	**166,555**
Property, plant and equipment	444,987	1,072,567	1,406,352	1,377,552	**1,222,990**
Prepaid lease payments for land	68,591	161,996	156,373	147,564	**127,302**
Interests in associates	4,452,797	5,004,666	5,747,662	6,176,612	**5,589,294**
Interests in joint ventures	12,692,158	13,871,672	10,742,492	10,775,156	**9,420,805**
Investments in syndicated property project companies	22,776	18,369	18,907	20,873	**24,233**
Available-for-sale investments	44,457	44,386	56,457	47,584	**31,392**
Amounts due from associates	88,793	–	–	–	**–**
Amounts due from joint ventures	10,660,267	5,317,039	2,843,910	1,895,513	**1,971,029**
Other financial assets	17,346	51,436	68,179	67,249	**–**
Goodwill	109,021	109,021	109,021	109,021	**64,525**
Deferred tax assets	1,884,732	2,189,580	2,393,213	2,967,929	**3,011,132**
	52,175,190	57,252,425	64,276,006	78,505,601	**85,686,323**
Current assets	186,002,144	241,763,261	308,287,554	331,657,545	**341,550,346**
Total assets	238,177,334	299,015,686	372,563,560	410,163,146	**427,236,669**
Non-current liabilities					
Bank borrowings — due after one year	(32,992,099)	(45,697,041)	(39,099,426)	(26,638,546)	**(41,986,405)**
Notes payable	(7,689,578)	(21,147,701)	(32,688,088)	(48,177,442)	**(66,200,380)**
Amounts due to non-controlling interests	(1,427,202)	(2,335,595)	(1,078,734)	(1,321,743)	**(1,238,436)**
Deferred tax liabilities	(3,021,968)	(3,722,688)	(5,437,321)	(6,385,053)	**(7,505,566)**
	(45,130,847)	(72,903,025)	(78,303,569)	(82,522,784)	**(116,930,787)**
Current liabilities	(117,836,488)	(135,223,552)	(178,404,564)	(189,083,559)	**(113,692,937)**
Total liabilities	(162,967,335)	(208,126,577)	(256,708,133)	(271,606,343)	**(230,623,724)**
Net assets	75,209,999	90,889,109	115,855,427	138,556,803	**196,612,945**
Equity attributable to:					
Owners of the Company	74,504,990	90,574,743	113,214,644	133,670,483	**191,557,525**
Non-controlling interests	705,009	314,366	2,640,783	4,886,320	**5,055,420**
	75,209,999	90,889,109	115,855,427	138,556,803	**196,612,945**

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