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

Stock Code: 00688

Seeking Progress Amid Stability
Operating a Trusted Brand

ANNUAL REPORT 2016

La Cite, Qingdao

Contents

Board of Directors and Committees

EXECUTIVE DIRECTORS

Xiao Xiao *Chairman*
Yan Jianguo *Chief Executive Officer*
Luo Liang
Nip Yun Wing

NON-EXECUTIVE DIRECTOR

Chang Ying

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORISED REPRESENTATIVES

Xiao Xiao
Nip Yun Wing

AUDIT AND RISK MANAGEMENT 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
Bank of China
Bank of Communications Co., Ltd. Hong Kong Branch
Bank of Shanghai Co., Ltd
China Construction Bank Corporation
China Construction Bank (Asia) Corporation Limited
China Merchants Bank
China Minsheng Banking Corp., Ltd
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China
OCBC Wing Hang Bank Limited
Sumitomo Mitsui Banking Corporation
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation 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
Note 14:	16 中海 01 Code: 136646
Note 15:	15 中地 01 Code: 125678
Note 16:	16 中地 01 Code: 135067

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 with sell back options (particulars as per Note 35 to the Financial Statements) 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 with sell back options (particulars as per Note 35 to the Financial Statements) due November 2022 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

Note 14: *RMB6,000,000,000 3.10 per cent. Notes with sell back options (particulars as per Note 35 to the Financial Statements) due August 2026 issued by China Overseas Property Group Co., Ltd., a wholly owned subsidiary of the Company.*

Note 15: *RMB4,000,000,000 4.80 per cent. Notes with sell back options (particulars as per Note 35 to the Financial Statements) due December 2020 issued by CITIC Real Estate Group Company Limited, a wholly owned subsidiary of the Company since 15 September 2016.*

Note 16: *RMB1,000,000,000 4.40 per cent. Notes with sell back options (particulars as per Note 35 to the Financial Statements) due January 2021 issued by CITIC Real Estate Group Company Limited, a wholly owned subsidiary of the Company since 15 September 2016.*

FINANCIAL CALENDAR

Interim results announcement	:	22 August 2016
Share register closed	:	20 September 2016
Interim dividend paid	:	5 October 2016
Final results announcement	:	22 March 2017
Share register closed for Annual General Meeting	:	7 June 2017 to 12 June 2017 *(both days inclusive)*
Annual General Meeting	:	12 June 2017
Share register closed for Final dividend	:	20 June 2017
Final dividend payable	:	7 July 2017

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 INVESTMENT

- Mainland China
- Hong Kong
- Macau
- London

* *Property development in 53 major cities in mainland China, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Shenyang, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Foshan, Fuzhou, Hainan, Harbin, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Suzhou, Qingdao, Taiyuan, Tianjin, Urumqi, Wuhan, Wuxi, Xi'an, Xiamen, Yantai, Zhengzhou, Zhongshan, Zhuhai, Changzhou#, Ganzhou#, Jilin#, Jiujiang#, Hefei#, Hohhot#, Huangshan#, Huizhou#, Lanzhou#, Nanning#, Nantong#, Shantou#, Shaoxing#, Weifang#, Xuzhou#, Yancheng#, Yangzhou#, Yinchuan#, Zibo# as well as in Hong Kong and Macau.*

\# *The cities where China Overseas Grand Oceans Group Limited ("COGO") has operations.*

Financial Highlights

For the year ended 31 December	2016	2015	Change (%)
Financial Highlights *(HK$ billion)*			
Revenue	**164.07**[5]	169.56[5]	-3
Profit attributable to equity shareholders of the Company	**37.02**[5]	34.64[5]	+7
Property sales[1]	**210.65**	180.63	+17
Financial Ratios			
Net gearing ratio *(%)*[4]	**8**[5]	37[5]	-29[2]
Interest cover *(times)*	**6**[5]	5[5]	+1[3]
Dividend payout *(%)*[6]	**27**[5]	21[5]	+6[2]
Financial Information per Share (HK$)			
Earnings	**3.64**[5]	3.75[5]	-3
Dividends	**0.77**	0.92	-16
— Interim dividend	**0.35**	0.20	+75
— Special interim dividend (distribution in specie of the COPL Shares)	–	0.31	-100
— Final dividend	**0.42**	0.41	+2
Net assets[4]	**20.29**[5]	21.25[5]	-5
Land Reserves *(million sq m)*			
Development land bank[4]	**56.77**	41.44	+37

Notes:
1. *Including joint ventures and associates*
2. *Change in percentage points*
3. *Change in number of times*
4. *These are year end figures*
5. *FY2016 figures and FY2015 restated figures were prepared using the principles of merger accounting*
6. *The calculation of dividend payout excluding special interim dividend (distribution in specie of China Overseas Property Holdings Limited ("COPL") Shares)*

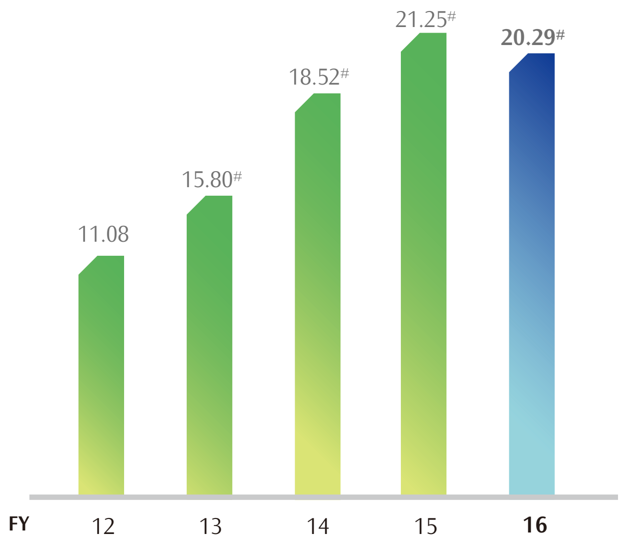
Financial Highlights (continued)

EARNINGS AND DIVIDENDS PER SHARE

HK$

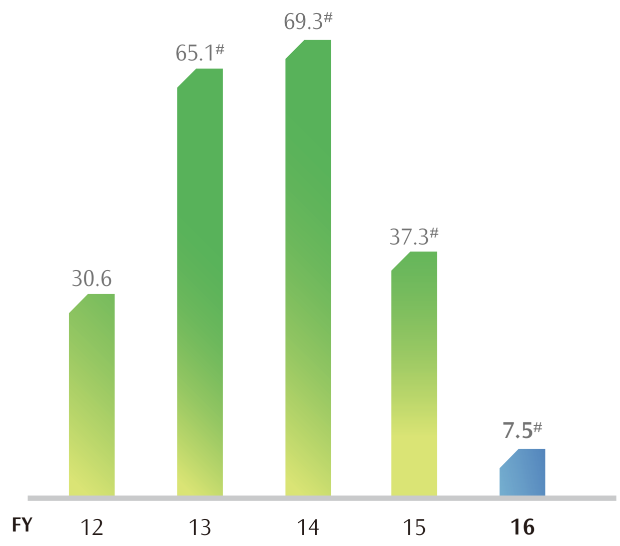
NET ASSETS PER SHARE

HK$



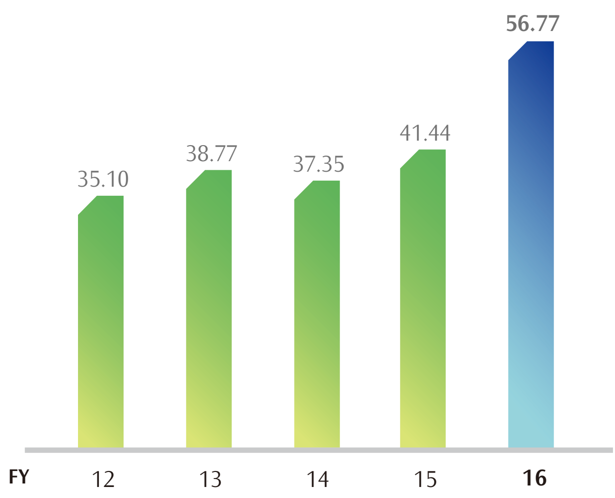
NET GEARING RATIO

%



LAND RESERVES

million sq m



FY16 figures and FY13 to FY15 restated figures were prepared using the principles of merger accounting. For details, please refer to Note 3(a) to the Financial Statements.

Group Financial Summary

KEY FINANCIAL INFORMATION AND RATIOS

Financial Year	2012 HK$	2013 HK$ (Restated)	2014 HK$ (Restated)	2015 HK$ (Restated)	**2016** **HK$**
Earnings per share	2.34	3.04	3.51	3.75	**3.64**
Dividends per share	0.41	0.47	0.55	0.92	**0.77**
— Interim dividend	0.15	0.18	0.20	0.20	**0.35**
— Special interim dividend	0.02	–	–	0.31*	**–**
— Final dividend	0.24	0.29	0.35	0.41	**0.42**
Net assets per share	11.08	15.80	18.52	21.25	**20.29**
Net gearing ratio (%) Net debt / Shareholders' funds	30.6	65.1	69.3	37.3	**7.5**
Interest cover (times) Operating profit – Total interest income / Interest expense**	13	3	4	5	**6**

KEY PROFIT AND LOSS ITEMS

For the year ended 31 December	2012 *HK$'000*	2013 *HK$'000* (Restated)	2014 *HK$'000* (Restated)	2015 *HK$'000* (Restated)	**2016** ***HK$'000***
Revenue	68,092,642	125,973,434	164,654,215	169,561,797	**164,068,528**
Operating profit	27,356,443	34,036,381	49,226,431	50,553,590	**57,905,305**
Profit attributable to equity shareholders	19,125,056	24,837,497	28,682,784	34,643,211	**37,020,638**

KEY STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December	2012 *HK$'000*	2013 *HK$'000* (Restated)	2014 *HK$'000* (Restated)	2015 *HK$'000* (Restated)	**2016** ***HK$'000***
Fixed assets#	30,484,260	46,161,735	60,318,557	69,595,165	**70,979,688**
Long-term investments	18,939,093	21,192,645	21,391,579	20,244,063	**16,209,776**
Other non-current assets	7,829,072	9,995,832	11,135,183	17,305,640	**9,186,508**
Net current assets	106,539,709	184,561,316	199,433,619	289,944,207	**275,308,831**
Non-current liabilities	(72,903,025)	(129,167,803)	(135,089,995)	(181,509,548)	**(144,261,444)**
Net assets	90,889,109	132,743,725	157,188,943	215,579,527	**227,423,359**

* *Representing the distribution in specie of the COPL Shares*
** *Before capitalisation and excluding interest on amounts due to non-controlling shareholders*
# *Representing investment properties and property, plant and equipment*

2016 Business Milestones

Paramount Jade, Jinan

28 JANUARY

The Group acquired a land parcel in the Huashan Area of Licheng District, Jinan with area of 1.47 million sq m at a consideration of RMB3.8 billion. In August, a second land parcel was acquired at Huashan Area adjacent to Second Ring East Road with area of 3.94 million sq m at a consideration of RMB7.7 billion. The land parcels will be used for the Paramount Jade Project, which will develop and utilise the ecological landscape of Huashan, Huashan Lake and Wetland Historical Park to create an "ecological new town with mountains and lakes" in Jinan. At the end of 2016, the Group had land reserves of 56.77 million sq m, of which 7.75 million sq m was located in Jinan, ranking top among the cities where the Group has presence.

11 MARCH

From 11 to 19 March, China Overseas Commercial Properties held a large-scale event for "Earth Hour" by organising a charity walk to promote urban environmental protection. Participants marched for a total of around 5,000 kilometres across nine cities (from Beijing to Shenyang, Jinan, Qingdao, Shanghai, Nanjing, Wuhan, Xi'an and Chengdu, where China Overseas commercial projects operate) to encourage sustainable living and working styles, demonstrating the commitment of China Overseas Commercial Properties to environmental protection.

"Earth Hour" Charity Walk

Mangrove Bay, Zhuhai

14 MARCH

The Group announced to acquire residential-focused property development projects from CITIC Limited (the "CITIC Assets Acquisition"). The projects are located across more than 20 cities in mainland China, with total land reserves of 31.55 million sq m, mostly in first-tier and second-tier cities. The Group's land reserves were substantially increased by the acquisition. Its leading position in first-tier and second-tier cities in mainland China was strengthened. The CITIC Assets Acquisition was completed in September.

18 MARCH

Phase Two of One Blossom Cove, Guangzhou was launched. The project is located in the gateway of Guanggang New Town, Liwan District, Guangzhou and above the Guangzhou Metro Line and Guangzhou-Foshan Metro Line. It offers a wide range of educational, medical, park and commercial facilities and is the only international landmark complex in the old districts of Guangzhou, with area of 1.3 million sq m, attractively combining western-style houses, apartments and commercial property. With a total of 2,100 units sold for over RMB6.0 billion during the year, the project ranked first in Guangzhou's residential property market by transaction amount.

One Blossom Cove, Guangzhou

2016 Business Milestones (continued)

The Grace, Nanjing

27 JUNE

The Grace, Nanjing launched with a first tranche of 600 units, attracting more than 2,000 potential buyers. Situated in Hongshan New Town, Xuanwu District, Nanjing, the future development potential of the project is enormous. Transportation is convenient via the nearby metro line and expanded education facilities are planned for the area. The project carries the cachet of "low-density and exquisite western-style houses in central urban area" and has been well received by the market. By year-end, 1,400 units had been sold in aggregate for a total of RMB6.0 billion.

6 JULY

China Overseas Commercial Properties officially launched its Officezip business centre brand in Shanghai. As a new business line for China Overseas with flexible layout and integration with China Overseas cloud business services, Officezip leverages the extensive China Overseas Grade A office space across the country to offer co-working office space combining short-term leasing, conference and all-round services. In September, China Overseas Commercial Properties was ranked in the top three of "Best 10 of China Commercial Real Estate Developers Brand Value" for its excellent asset management capability.

Officezip business centre brand officially launched in Shanghai

"Cheers Mate! China Overseas Summer Camp for Mainland & Hong Kong Youth 2016"

1 AUGUST

From 1 to 5 August, a youth cultural exchange event "Cheers Mate! China Overseas Summer Camp for Mainland & Hong Kong Youth 2016", in conjunction with a Hong Kong non-governmental organisation, was held in Jinan. Through joyful sports, games and cultural tours, the students learn how to appreciate sharing, courtesy, harmony and fraternity in a pluralistic society and respect and cooperate with others.

23 AUGUST

The Group successfully issued a domestic RMB6 billion bond with a 10-year term at a coupon rate of 3.10% (with terms of adjustment of the interest rate and sell back option at the end of the fifth year). In 2015 and 2016, the Group raised a total of RMB19 billion in domestic bonds in mainland China.

2016 Business Milestones (continued)

6 SEPTEMBER

"China Overseas Property" was acknowledged among the "Leading Brands of China Real Estate Companies", ranking first with a brand value of RMB51.4 billion. In the same month, by virtue of its outstanding performance in environmental protection, social responsibility and corporate governance, the Company would continue to be a constituent member of the "Hang Seng Corporate Sustainability Index Series" and has been selected against as an index component of the "Dow Jones Sustainability Indices".

"China Overseas Property" ranked first in "Leading Brands of China Real Estate Companies"

29 SEPTEMBER

Unipark Shopping Mall, Foshan

The Group's Foshan Unipark, was successfully opened for business. Backed by over three years' operational experience since the first Unipark Shopping Mall debuted in Jinan in 2013, the arrival of the China Overseas Unipark heralded a fresh new turn in Foshan. Located in Gaoxin District, Guilan Road, Foshan, the project has a total area of 130,000 sq m and enjoys both convenient transportation and prime location as it is the only project built above dual metro lines within the city. By introducing the concept of the "three-dimensional park+shopping mall" into Foshan and maintaining the positioning of "where the city's joy converges", the project redefines family shopping experience and will become a commercial property landmark in the Guangzhou-Foshan region. At the end of 2016, the Group had a total of four China Overseas Uniparks in operation.

12 OCTOBER

The Group announced that it would sell a property portfolio to its associate, COGO. With a total area of 9.52 million sq m, the project mainly comprises residential-focused property development projects in third-tier cities in mainland China. This transaction was of strategic importance and has synergistic value to both the Group and COGO as the Group will continue to share the development opportunities in high-growth third-tier cities in mainland China through COGO. The transaction was completed in December.

18 NOVEMBER

One Regent, Hangzhou

As a river-view residential project in the core area of Qianjiang New Town, Hangzhou, One Regent was well received by the market from its first launch at the end of 2015, with both sales volume and prices rising. Its high-end blend of Chinese and Western elements is appreciated by property owners and the market, and the project was named "2016 China's Top 10 Residential Real Estate Projects in Brand Value". During the year, 700 units were sold for a total of RM3.5 billion.

22 DECEMBER

Located in Hengqin New Area and only 0.5 km away from the Hengqin Port, The Gem in Zhuhai has a bustling view of the cityscape of Macau to the East and is adjacent to the University of Macau. The nearby Light Rail Transit connects it to Zhuhai, Macau and the Pearl River Delta. The lot on the west is planned as the future administrative centre of Hengqin, a prime site for administrative services facilities in the area. With a site area of 150,000 sq m, The Gem is equipped with clubhouses, indoor and outdoor swimming pools, a waterscape plaza, and leisure and sports facilities. The project was launched in 2014 and 1,281 residential units were sold out at good prices for a total of RMB5.3 billion up to end of 2016. Zhuhai region was the Champion of the Group in terms of profits.

The Gem, Zhuhai

Chairman's Statement

Metro Mansions, Beijing

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 2016 increased by 6.9% to HK$37.02 billion; basic earnings per share was HK$3.64; shareholders' funds increased to HK$222.25 billion; net assets per share was HK$20.29; and average return on shareholders' funds was 17.1%. The Board proposed a final dividend of HK42 cents per share.

Xiao Xiao
Chairman

Chairman's Statement (continued)

After a rather long period of rapid growth, China's economy has adjusted to a period of steadier growth. Following more than a decade of rapid expansion, China's property market has similarly entered a new era. The coming year, 2017, is expected to be complex and changeable, based on the global and local political and economic environments. With its solid foundation, worldwide vision and exposure, correct development strategies, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness in the industry through consistent innovation. The Group is confident that it can resolve risks and rise to the challenge and seek progress amid stability. The Board expects that the China property market to remain stable in the next few years and the Company can achieve sustainable and steady growth.

1. BUSINESS REVIEW

Macroeconomy

"Black swan events" emerged in a seemingly endless stream in 2016. The global economy underwent profound adjustment and rebalancing. The monetary policies of developed economies were not aligned, while the economic slowdown of emerging markets accelerated. As the United States maintained its moderate economic recovery, the Federal Reserve raised interest rates, causing continued depreciation of major currencies against the US dollar. A stronger dollar stimulated capital outflows in emerging market countries, and economic growth faced a downturn challenge. As the repeated quantitative easing initiative ("QE") failed to bring about obvious improvement, the European and Japanese central banks chose to extend or intensify their QE. The "Brexit" referendum in the UK brought uncertainties to the economy of the European Union, while the Middle East, Europe and Asia experienced disturbing geopolitical crises. As a whole, global economic recovery was slow.

2016 marked the commencement of the national 13th Five-year Plan. The Central Chinese Government put effort into strengthening supply-side structural reform, focusing on introduction of a series of policies, such as cutting excessive industrial capacity, de-stocking, de-leveraging, lowering costs and improving weak links. The reform has shown initial effectiveness with a stable and positive economic and employment growth. As a result, China achieved an annual economic growth of 6.7%, remaining ahead of other countries. The economic performance of Hong Kong and Macau was inevitably affected by peripheral environment, but still recorded moderate growth. The growth rate of sales of China's property market saw obvious slowdown in 2014. As the nationwide commodity housing stock reached a record high in 2015, local governments released restrictions one after another to effectively stimulate their property markets. The total nationwide commodity housing area for sale continued to decrease in 2016, while the annual sales volume and prices for residential property reached all-time highs. In October, the elevating residential property and land markets triggered a policy turning point. The financial sector strictly enforced restrictions on property-

Chairman's Statement (continued)

related lending and corporate bond issuance, and regulated the entrance of financial bank and insurance investment funds into the property market. Right after the National Day Golden Week holiday, some 30 major cities throughout China launched extensive and intensive restrictive measures, such as sales restrictions, loan restrictions and tax increase, to suppress soaring property prices.

Against the backdrop of accelerated depreciation of the Renminbi and the regulation of property market, mainland China investors changed their focus to Hong Kong property market, pushing Hong Kong property price upward. In November, the Hong Kong SAR Government introduced a raft of cooling measures, including higher stamp duty, with the aim to support local first-time property buyers and restrain property investment and speculation.

During the year, despite the initially relaxed but subsequently tightened environment of the mainland China property market, the Group achieved sizable sales and satisfactory growth in profit. With revenue of HK$164.07 billion, the profit attributable to the equity shareholders of the Company increased by 6.9% to HK$37.02 billion (excluding the profit/loss generated by the property projects acquired from the CITIC Assets Acquisition, the profit attributable to the equity shareholders of the Company would have increased by 14.1% from HK$33.31 billion last year to HK$38.01 billion in 2016. Please refer to note 3(a) to the Financial Statements for details of that profit/loss), and the net profit, after deducting HK$5.65 billion in profit after tax related to the change in the fair value of the investment property portfolio, amounted to HK$31.37 billion. In a complicated and rapidly changing market environment, the Group successfully secured handsome profits through assets restructuring and disposals, to achieve an average return on shareholders' funds of 17.1% in 2016.

One Finsbury Circus, London

Property Development

In 2016, through accurate assessment of market developments, 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$210 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$210.6 billion, while the corresponding area sold was 13.04 million sq m. Projects (including joint ventures) amounting to 13.35 million sq m were completed in 2016. Sales value of these projects, recognised as the Group's revenue in 2016, amounted to HK$118.61 billion. Sales of completed property projects as at the end of 2015 were satisfactory, reaching HK$41.28 billion for a total of 2.28 million sq m. As such, the revenue for the property development business of the Group in 2016 amounted to HK$159.89 billion. Segment profits attributable to property development business increased 10.9% to HK$46.94 billion.

Investment Properties

Six investment property projects were completed during the year, adding about 460,000 sq m of completed investment property to the Group. The Group also sold a few non-core investment properties. Further, the CITIC Assets Acquisition added investment properties totalling 300,000 sq m. The Group had a total of 2.50 million sq m in mainland China, Hong Kong, Macau and London as at the end of the year. The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK$2.14 billion, representing a year-on-year increase of 6.2%; profit for the segment amounted to HK$11.88 billion, which included an increase in the fair value of investment properties amounting to HK$7.72 billion (net fair value gain after deferred tax attributable to shareholders is HK$5.65 billion).

Chairman's Statement (continued)

CITIC Assets Acquisition

On 14 March 2016 the Company announced a major transaction, the CITIC Assets Acquisition, and this was completed six months later. The Company issued shares to CITIC Limited and sold a property portfolio to settle the consideration.

CITIC Limited has thus become a strategic – and the second-largest – shareholder in the Company. The Board holds the view that cooperation between the parties will produce great synergy in business and investment opportunities on various fronts. The Group's future business operations are expected to benefit significantly. This acquisition provides a good opportunity for the Group to add to its land reserve in various major economic zones in China and will make a significant contribution to the Group's development in the next few years, reinforcing the Group's leading position in China's property market. Details of the acquisition, issuance of shares in the Company and property sales can be found in the announcements made on 14 March and 15 September 2016, and the circular despatched on 30 June 2016.

In October 2016, the Group agreed to conditionally sell its projects in several third-tier cities, including Yangzhou, Huizhou, Huangshan, Weifang, Zibo, Jiujiang and Shantou, to its associate COGO. This transaction was completed before end of the year. Through this transaction, the Group effectively dealt with the asset portfolio acquired from the parent company, China State Construction Engineering Corporation Limited ("CSCECL") and the CITIC Assets Acquisition, and COGO effectively reinforced its position as a leading property developer in China's third-tier cities and increased its land reserve significantly. Details of the sale of this property portfolio can be found in the circular released by COGO on 4 November 2016.

Joint Venture and Associates

The Group will strive to expedite its development and expand its development scale through joint ventures and mergers and acquisitions. At the end of the year, the amount invested by the Group in its joint ventures amounted to HK$15.94 billion. The profit contribution from joint ventures in 2016 was HK$780 million. COGO is the major associate of the Group, focused on property business in third-tier cities in mainland China. In 2016, COGO recorded sales of HK$24.0 billion, revenue of HK$17.1 billion, and a net profit of HK$930 million. The Group earned a net profit of about HK$340 million from COGO.

Land Reserve

During the year, the Group continued to closely monitor the land market and prudently acquire land. In response to the strong land market and taking account of an additional 31.55 million sq m of land resources relating to the CITIC Assets Acquisition, the Group (excluding COGO) acquired 17 parcels of land in 13 cities in mainland China, and one parcel of land in Hong Kong, a total additional of 9.72 million sq m. As at the end of 2016, these land parcels in 33 mainland China cities, Hong Kong and Macau provided a total area of 56.77 million sq m, with interest attributable to the Group of 48.81 million sq m.

As of end of 2016, the COGO had a total land reserve of 17.74 million sq m (attributable interest of 16.53 million sq m).

Group Finance

Adhering to prudent financial management, the Group continued to enhance financial resources and optimise its debt structure. In mid-August 2016, during a low-rate window, the Group issued a 10-year corporate bond with a value of RMB6.0 billion to take advantage of market conditions. The bond yield was 3.1%, the lowest in the industry for tenors of over 5 years. In 2016, the Group drew down HK$45.24 billion in banking facilities. Total repayment of matured bank and other borrowings amounted to HK$60.26 billion. In addition, cash inflow from sales of about HK$177.20 billion was recorded for the year. The Group had sufficient funds to meet its payment requirements and has accumulated a significant war chest of cash for future developments. The major expenditures of the Group for 2016 were HK$49.77 billion for land premiums, HK$42.32 billion for construction costs, and HK$38.61 billion for tax, selling and distribution, administrative and finance expenses. As at the end of the year, outstanding bank and other borrowings and notes payable by the Group were about HK$96.25 billion and about HK$77.57 billion respectively; cash on hand amounted to approximately HK$157.16 billion; and the net gearing of the Group had decreased significantly from 37.3% at the end of 2015 to a very low level of about 7.5%. The shareholders' funds in the Company increased to HK$222.25 billion at the end of the year. Hence, the Group's financial position has continued to strengthen. In 2016, the Group's investment rankings were affirmed by Moody's, Standard & Poor's and Fitch, at Baa1/Stable, BBB+/Stable and A-/Stable respectively, reflecting the capital market's recognition of the Group in terms of its leadership in China's property market and financial soundness.

Chairman's Statement (continued)

Human Resources

The Group continues to expand its operations and enter new cities. Talented people are always in great demand. Staff recruited through the "Sons of the Sea" and "Sea's Recruits" schemes have developed quickly under the supervision of our staff. The Group's ability to nurture talented people has been recognised by the industry. This is the source of the Group's professional competence and competitive edge, and has become an important element in supporting the Group's sustainable and stable development. Staff integration after the CITIC Assets Acquisition was smoothly completed within a short period of time, demonstrating the effectiveness of the Group's human resources personnel.

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 past two 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 fourth 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 "Best 10 of China Real Estate Developers Brand Value". China Overseas Property was acknowledged among the "Leading Brands of China Real Estate Companies" for the 13th consecutive year, ranking first in the property sector with a brand value of RMB51.4 billion. For 13 years in a row, leveraging its excellent performance, the Company has been voted the number one "China Blue Chip Real Estate" developer. For the first time due to the excellent asset management capability, China Overseas Commercial Properties ranked in the top three of the "Best 10 of China Commercial Real Estate Developers Brand Value". Internationally, the Group has been selected again as an index component of the Dow Jones Sustainability Indices (DJSI), and is the only Chinese company on the list of 38 real estate sustainability leaders, among 3,800 listed companies around the world being analysed this year. This demonstrates the excellent performance of the Company in various respects. In 2016, China Overseas Property projects were, as usual, repeatedly recognised for their outstanding quality, design and management.

2. PROSPECTS

Macroeconomy

It is expected that the global economy will not depart from the "low growth trap". The biggest uncertainties in global economy lie in the new policies of US President Trump to stimulate economic growth and the monetary policy of the US Federal Reserve. Brexit may trigger a domino effect that threatens the unification of Europe. Trade protectionism and anti-globalism will directly impact new and emerging economies. As the world's second largest economy, China has become an important driving force behind the reform of the global economy and economic governance. It is expected that the Chinese government will continue to put in place active financial policies and stable monetary policies to deepen supply-side structural reform and ensure the steady growth of economy over the next few years. For most enterprises, 2017 will remain challenging. The Group will watch closely for risks and opportunities triggered by any changes in the international economic environment.

Chairman's Statement (continued)

Business Development

In a complex and ever-changing market and political environment, the Group achieved a satisfactory performance in 2016, amply demonstrating its excellent operational capability and brand advantages. The Group is cautiously optimistic about China's property market in 2017. It is expected that policy regulation by the Central Chinese Government will continue and that will ensure stable and healthy development of the property market. China's property sales is expected to experience some resistance in the first half of 2017 as market consolidation accelerates, with the sector overall presenting both challenges and opportunities.

Continued stable development in the Hong Kong and Macau property markets is expected. The impact of rate increases in the US may not be significant, though increasing investment in Hong Kong property market by mainland China property developers will have some impact. The Group will still seek appropriate opportunities to expand its business in Hong Kong and Macau. In the first two months of 2017, property sales of the Group in Hong Kong and Macau amounted to over HK$4 billion, while the cash return after netting off second mortgage reached HK$4.9 billion.

Operational Philosophy

The Group firmly follows the operational philosophy of "Seeking Progress amid Stability. Operating under a Trusted Brand", and upholds pragmatism and integrity as its philosophy in going forward in a steady manner. The Group has reached annual sales of HK$200 billion with net profits amounting to a high level of over HK$30 billion, the management will still strive to achieve steady improvement in its performance. China's property market has entered a new era: limited supply of high quality land, decline in overall profits across the industry, fracturing of the market, increased centralisation of the industry, all indicate that only the fittest will survive. The Group is deeply alert to the pressure and challenges brought about by this changing market and the industry competition associated with rapid growth in some industry players over the past two years. The Group, which is steeped in history and has experienced many economic cycles in China, Hong Kong and Macau, recognises that each company must align its own capacity and resources with the external environment to find a suitable and sustainable approach after balancing its scale with shareholders' returns, and opportunities with risks. The Group will consolidate and continue to seek to boost its competitiveness. In order to reinforce the elite image of China Overseas Property products in the mid- and high-end segments, the Group diligently assesses the needs and wants of its customers so that each project stands out and sets the benchmark for high-end products in its vicinity. In addition, the Group will adapt to the movement toward market fragmentation, enter strategic cities and expand to neighbouring areas systematically in order to raise its market share and reinforce its industry-leading position. The Group believes that there is much room for development in China's property market, and will put more focus on mainland China's property market in the future. Against the backdrop of increased consolidation of the mainland property market, the Group will firmly pursue a multi-pronged development strategy. On one hand the Group will continue to acquire land in the market, while on the other it will look for suitable targets for mergers and acquisitions, and will continue to establish joint ventures with strong partners and parties with land resources in order to support stable growth in this 13th Five-Year Plan period.

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. In order to ensure operational scale and sustainable growth in profits and after taking account of market conditions, it is planned that in 2017, the Group will commence development of an additional area of over 19 million sq m, bringing the total area under development to a peak of over 33 million sq m. The Group will strive to have projects (including the joint ventures) with area of over 13.5 million sq m completed and contracted sales (including joint ventures and associates) of not less than HK$210 billion achieved.

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. As the profit margin in China's property market continues to drop, an over-expansion of property development scale may gradually invite disproportionate risks. Hence increasing the proportion of profits from investment property is a long-term goal for the Group. As at end of this year, the total area of commercial property under development or yet to be developed by the Group amounted to about 4.40 million sq m. About 1.20 million sq m of this area will be completed by the end of 2018.

Multi-channel and Diversified Means for Land Replenishment

The Group will take into account its financial strength and market conditions, to maintain an appropriately expansionary scale of investment. Through active cooperation with various entities in the CSCECL group and other organisations with land resources and also involvement in the redevelopment of shanty-towns and transformation of cities, the Group can replenish its land reserve through various measures.

The reduced liquidity in China is conducive to the acquisition of land by property developers with strong financial resources. During the first two months of 2017, the Group acquired 11 land parcels in nine cities, a total area of 3 million sq m.

Prudent Financial Management

The Group will continue to enhance its financial management capability, adhere to prudent financial management, and stick firmly to the principle of "Cash is king, receipts determine payments". The Group will continue to explore new fundraising channels and make full use of its fundraising platforms onshore and offshore. To 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 reducing non-Renminbi debts and increasing non-Renminbi assets.

China Overseas Building, Chengdu

Chairman's Statement (continued)

Business Prospects

After a rather long period of rapid growth, China's economy has adjusted to a period of steadier growth. Following more than a decade of rapid expansion, China's property market has similarly entered a new era. The Board is of the view that the China property market has ample room for development and is also confident of the Group's prospects and capabilities. The coming year, 2017, is expected to be complex and changeable, based on the global and local political and economic environments. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." With its solid foundation, worldwide vision and exposure, correct development strategies, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness in the industry through consistent innovation. The Group is confident that it can resolve risks and rise to the challenge and seek progress amid stability. The Board expects that the China property market to remain stable in the next few years and the Company can achieve sustainable and steady growth.

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 of 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

Last but not least, I would like to take this opportunity to express my appreciation to the management team and other staff members of the Group for their dedication and hard work, our shareholders and business associates for their support and trust and to my fellow directors for their valuable advice.

By Order of the Board
China Overseas Land & Investment Limited
Xiao Xiao
Chairman

Hong Kong, 22 March 2017

Management Discussion and Analysis

The Arch, Xi'an

Management Discussion and Analysis

OVERALL PERFORMANCE

China Overseas International Center, Chengdu

Management Discussion and Analysis (continued)

OVERALL PERFORMANCE (CONTINUED)

IN 2016 THE GROUP ACHIEVED SATISFACTORY PERFORMANCE

The Group's revenue amounted to HK$164.07 billion (2015: HK$169.56 billion), an decrease of 3.2%. Operating profit was HK$57.91 billion (2015: HK$50.55 billion). Profit attributable to shareholders of the Company increased by 6.9% to HK$37.02 billion included net gain after tax arising from changes in fair value of investment properties amounted to HK$5.65 billion. If the profit/loss generated by the property projects acquired from the CITIC Assets Acquisition were excluded, the profit attributable to the equity shareholders of the Company would have increased by 14.1% from HK$33.31 billion of last year to HK$38.01 billion in 2016. Basic earnings per share was HK$3.64 (2015: HK$3.75).

The equity attributable to shareholders of the Company at the end of 2016 increased by 6.1% to HK$222.25 billion (2015: HK$209.56 billion).

Unipark Shopping Mall, Jinan

Management Discussion and Analysis (continued)

OVERALL PERFORMANCE (CONTINUED)

The management would like to remind the shareholders of the Company that in evaluating operation, the financial performance and position of 2016, due consideration should be made to the impact generated by the CITIC Assets Acquisition and issue of shares to CITIC Limited. As the Company and CITIC Limited are state-owned entities and are under common control of the State Council of the PRC, the CITIC Assets Acquisition was accounted as business combination under common control. According to the accounting standards, the consolidated financial statements of the Group for the year ended 31 December 2016, together with the comparative figures, were prepared using the principles of merger accounting, as if the CITIC Acquired Group (comprising Tuxiana Corp. and CITIC Real Estate Group Company Limited, together with their respective subsidiaries) had been combined with the Group from the earliest date when the CITIC Acquired Group first came under the control of the State Council of the PRC.

In a complicated and rapidly changing market environment, the Group successfully secured handsome profits through assets restructuring and disposals. Gain on disposal of subsidiaries of HK$10.18 billion was recognised. However, the impairment losses in respect of goodwill of HK$1.90 billion, arising from the reorganisation of CITIC Acquired Group prior to the completion of the CITIC Assets Acquisition, was recognised during the year.

Marina South, Hong Kong

In 2016, the Group incurred exchange losses of HK$2.58 billion (2015: HK$2.32 billion) due to the depreciation of Renminbi, HK$1.28 billion (2015: HK$1.16 billion) was charged to income statement while HK$1.30 billion (2015: HK$1.16 billion) was capitalised to properties under development. Taking into consideration the weakened Renminbi, the Group will endeavour to improve the currency profile of its debt, mainly by rapidly decreasing the non-Renminbi debt or increasing the non-Renminbi assets.

PROPERTY SALES

During the year, despite the initially relaxed but subsequently tighten environment of mainland China property market, the Group achieved sizable sales and satisfactory growth in profit in 2016. Revenue of property sales was HK$159.89 billion (2015: HK$163.56 billion). Revenue from property sales mainly related to property projects such as Paramount Jade in Jinan, City Plaza in Tianjin, The Gem and Mangrove Bay in Zhuhai, Glorious Garden and Goldenmiles in Foshan, The Joyful City in Suzhou, International Community in Ningbo, COLI City in Xi'an and Marina South in Hong Kong.

Profit from property sales (including the Group's share of profit of associates and joint ventures) amounted to HK$46.94 billion (2015: HK$42.33 billion), showing an increase of 10.9%.

PROPERTY RENTAL

Revenue from property rental of the Group for the year amounted to HK$2.14 billion (2015: HK$2.01 billion), an increase of 6.2%. The rise in rental income was mainly due to increase in monthly rent for new or renewed tenancy agreement and higher occupancy rate. The Group also sold a few non-core investment properties. Segment results amounted to HK$11.88 billion which include gain arising from changes in fair value of investment properties amounting to HK$7.72 billion (attributable to shareholders after tax is HK$5.65 billion).

OTHER OPERATIONS

Revenue from other operations amounted to HK$2.04 billion (2015: HK$3.99 billion), was mainly derived from property management and Hua Yi design businesses.

Management Discussion and Analysis (continued)

OVERALL PERFORMANCE (CONTINUED)

CONCLUSION

China's property policy in 2016 went from generally relaxed to being continuously tighten in popular cities. On one hand, in order to curb speculative investment so as to reduce asset bubbles, tightening measures in popular cities such as home purchase restriction, mortgage tightening were getting more severe. On the other hand, third-tier and fourth-tier cities persisted with the de-stocking strategy to moderate both the demand and supply side. Overall, the market situation of China's property market in 2016 was better than that in 2015 with a record high annual sales.

As the property development industry is getting more mature, it stands to become one of the major national macroeconomic growth drivers. Every session 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.

Property development is a capital-intensive business of a strong cyclical nature with high level of policy uncertainty and 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. The Group has achieved current annual sales of over HK$200 billion and net profits of over HK$30 billion. It is not easy to maintain stable growth at this level. In 2016, the Group's strategy and business objectives were successfully implemented and the risks of the industry were properly controlled, the Group achieved satisfactory performance in various key performance indicators, including contracted sales, sales proceeds collection, land reserves, gross profit margin and return on shareholders' funds.

International Community, Yantai

Management Discussion and Analysis (continued)

LAND RESERVES

Shenzhou Peninsula, Hainan

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

Annual Summary

- The Group increased its land resources by 31.55 million sq m in more than 20 cities through the CITIC Assets Acquisition. In response to the hot land market over the first three quarters, the pace of the Group's land acquisition activity slowed moderately, but in the fourth quarter, following the CITIC Assets Acquisition, the rate picked up again

- The Group acquired 18 land parcels with a total area of 9.72 million sq m, of which the Group acquired 17 land parcels in 13 mainland China cities, with a total area of 9.61 million sq m; and one land parcel in Hong Kong, with a total area of 0.11 million sq m

- COGO, an associate of the Group, increased its land reserves in eight third-tier cities in mainland China, with a total area of 1.35 million sq m

- The Group sold a property portfolio to COGO (including residential development projects in third-tier cities including Yangzhou, Huizhou, Huangshan, Weifang, Zibo, Jiujiang and Shantou) in December. The total area was about 9.52 million sq m

- As at the year end of 2016, the Group had a total land reserves of 56.77 million sq m (attributable interest of 48.81 million sq m); COGO had a total land reserves of 17.74 million sq m (attributable interest of 16.53 million sq m)

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

As project construction costs are relatively controllable, land costs are the decisive factor in the overall development cost 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 success for 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 to 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.

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 2016, the Group ranked among the top five property developers in 14 cities, including Guangzhou, Foshan, Zhuhai and Jinan 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.

In 2016, there were many "supreme land" lots sold in mainland China market at high land premium rates. Regulation of the sources of capital for land auctions became more stringent. In the overheated land market, even when funds were abundant, the Group adhered to its prudent land acquisition strategy. During the year, the Group acquired 18 land parcels with a consideration of about HK$48.4 billion in 13 cities, including Jinan, Nanchang, Changchun, Xi'an, Ningbo, Fuzhou, Wuxi, Xiamen, Nanjing, Suzhou, Wuhan, Foshan and Chongqing and in Hong Kong, with a total area of 9.72 million sq m, which essentially achieved the target set at the beginning of the year to acquire 10 million sq m of land, together with the further addition of 31.55 million sq m of land resources through the CITIC Assets Acquisition, to ensure sustainable development of the Group in the future. COGO was slightly ambitious in its approach to land reserves than in previous years, increasing its reserves in eight third-tier cities in mainland China by 1.35 million sq m. Additionally, COGO's land resources were also replenished by 9.52 million sq m through acquisition of the assets from the Group.

Management Discussion and Analysis (continued)

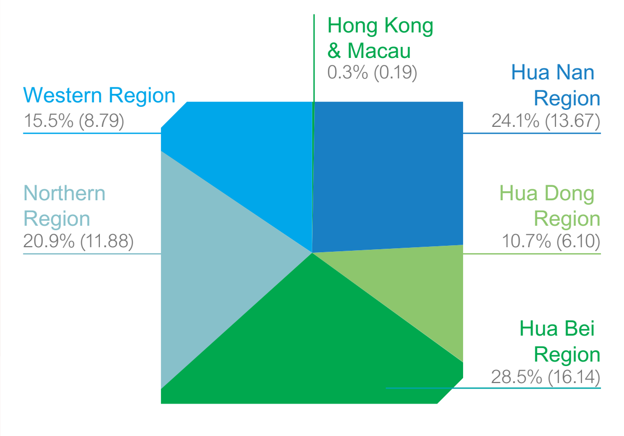
LAND RESERVES (CONTINUED)

At the end of 2016, the Group had a total land reserves of approximately 56.77 million sq m (attributable interest of 48.81 million sq m) in 33 mainland China cities and in Hong Kong and Macau. The Group's land reserves were relatively evenly distributed among Hua Bei region (28.5%), Hua Nan region (24.1%), Northern region (20.9%), Western region (15.5%) and Hua Dong region (10.7%). Mainly through the CITIC Assets Acquisition, the land reserves held by the Group in four first-tier mainland cities increased to 17.7% of its total land reserves. 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 proactively seek to acquire more land parcels in innovative ways in order to maintain its market share in these cities. The Group expects to continue to develop and achieve good results in first-tier cities.

The Group had relatively small land reserves in Hong Kong and Macau (190,000 sq m representing 0.3% of total land reserves), typically of high quality, are expected to provide overall satisfactory returns to the Group. During the first two months of 2017, the Group acquired 11 land parcels in Harbin, Dongguan, Wuhan, Xi'an, Zhengzhou, Beijing, Suzhou, Yantai and Wuxi with a total area of about 3 million sq m, while COGO did not acquire any land during the first two months of 2017. It is expected that the pace of land acquisition by the Group in 2017 will be appropriately accelerated.

BREAKDOWN OF LAND RESERVES BY REGION

million sq m



Hua Nan Region: Shenzhen, Hainan, Foshan, Guangzhou, Changsha, Xiamen, Fuzhou, Zhuhai, Dongguan, Zhongshan

Hua Dong Region: Suzhou, Nanjing, Ningbo, Hangzhou, Nanchang, Shanghai, Wuxi

Hua Bei Region: Beijing, Tianjin, Jinan, Taiyuan, Wuhan

Northern Region: Changchun, Qingdao, Dalian, Shenyang, Yantai, Harbin

Western Region: Chengdu, Xi'an, Chongqing, Kunming, Xinjiang

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)

LAND RESERVES OF THE GROUP

Land Parcels added in 2016*

Project name		Land Area ('000 sq m)	Total GFA ('000 sq m)
Hua Nan Region			
Fuzhou	Jin'an District Project (Note 1)	38	151
Xiamen	Tong'an District Project (Note 2)	53	157
Foshan	Shunde District Project #1	48	217
Foshan	Shunde District Project #2	64	261
Sub-total		203	786
Hua Dong Region			
Nanchang	Donghu District Qingshanhu Project	60	240
Nanchang	Jingkai District Project	161	370
Ningbo	Jiangdong District Project	116	330
Wuxi	Xinwu District Project	245	862
Nanjing	Gulou District Project	21	211
Suzhou	Yuan District Project	31	97
Sub-total		634	2,110
Hua Bei Region			
Jinan	Licheng District Huashan Project #1	559	1,471
Jinan	Licheng District Huashan Project #2	1,052	3,942
Wuhan	Jiangxia District Project	44	179
Sub-total		1,655	5,592
Northern Region			
Changchun	Lvyuan District Jingyang Dalu Project	149	462
Changchun	Jingkaibei District Project	113	253
Sub-total		262	715
Western Region			
Xi'an	Xixian New District Project	73	297
Chongqing	Jiangbei District Project	28	109
Sub-total		101	406
Hong Kong & Macau			
Hong Kong	New Territories Tai Po Project	38	107
Sub-total		38	107
		2,893	9,716

* *Exclusive of projects acquired from CITIC Assets Acquisition*

Note 1: *This project requires the Group to build housing with area of 36,450 sq m*

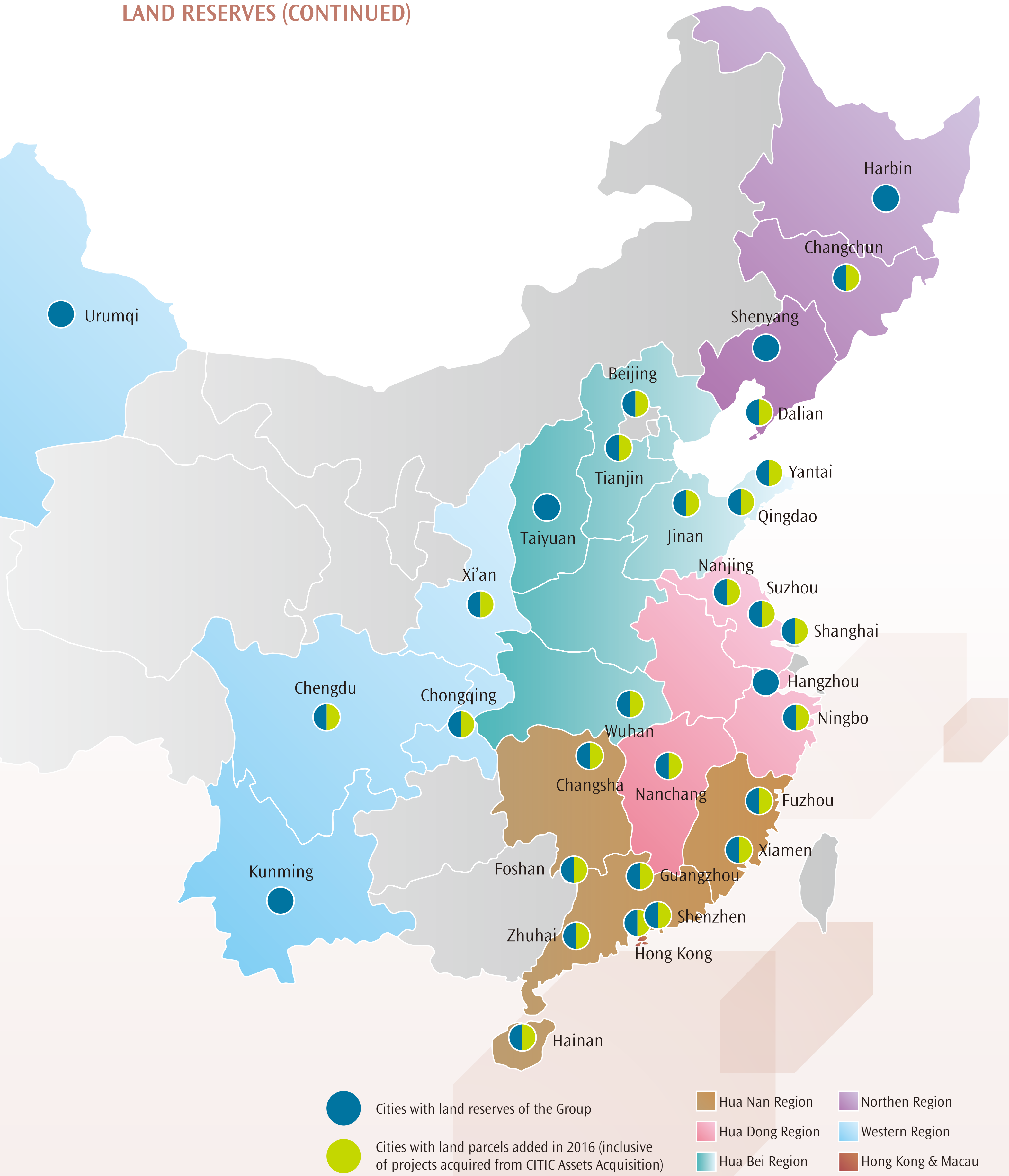
Note 2: *This project requires the Group to build housing with area of 13,000 sq m*

Total Land Reserves

	City	GFA ('000 sq m)
Hua Nan Region	Shenzhen (including Dongguan)	809
	Hainan	1,868
	Guangzhou	5,446
	Foshan (including Zhongshan)	2,458
	Changsha	1,177
	Xiamen	167
	Fuzhou	704
	Zhuhai	1,037
	Sub-total	13,666
Hua Dong Region	Suzhou (including Wuxi)	3,384
	Nanjing	667
	Ningbo	428
	Hangzhou	389
	Nanchang	663
	Shanghai	573
	Sub-total	6,104
Hua Bei Region	Beijing	3,222
	Tianjin	3,882
	Jinan	7,748
	Wuhan	178
	Taiyuan	1,108
	Sub-total	16,138
Northern Region	Changchun	1,537
	Qingdao	3,204
	Dalian	1,364
	Shenyang	3,938
	Yantai	1,068
	Harbin	775
	Sub-total	11,886
Western Region	Chengdu	2,769
	Xi'an	722
	Chongqing	3,638
	Kunming	199
	Urumqi	1,460
	Sub-total	8,788
Hong Kong & Macau	Hong Kong	190
	Sub-total	190
	Total	56,772

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)



Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT

The Phoenix, Nanjing

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Annual Summary

- Projects (including joint ventures) with area of about 13.35 million sq m were completed

- Revenue amounted to HK$159.89 billion, comprising sales value amounting to HK$118.61 billion from projects completed in 2016 and HK$41.28 billion from projects completed in previous years

- A total of 13.04 million sq m of property (including joint ventures and associates) was sold, raising HK$210.6 billion

- At the end of the year, unrecognised contracted sales (including joint ventures) amounted to HK$104.57 billion

- Gross profit margin for property development projects remained at a satisfactory level; segment profit increased by 10.9% to HK$46.94 billion

- Increased effort towards collecting sales proceeds resulted in the collection of HK$188.95 billion from buyers (including joint ventures) during the year. As at the end of 2016, pre-sales deposits received (including joint ventures) amounted to HK$86.91 billion

Unipark Shopping Mall, Nanjing

Management Discussion and Analysis (continued)

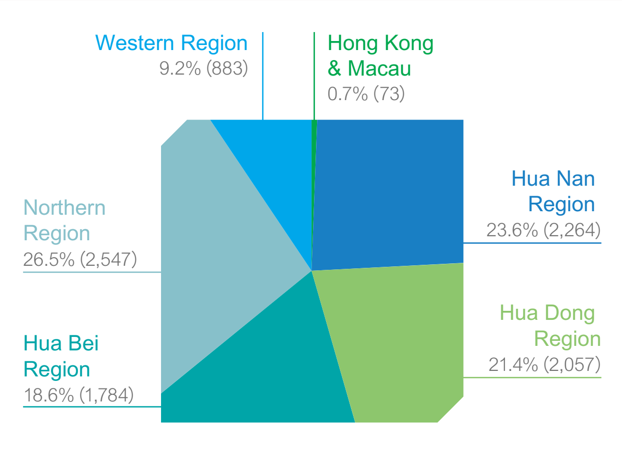
PROPERTY DEVELOPMENT (CONTINUED)

Macroscopically, mainland China property market in 2016 presented a "first high and later low" status due to the loose and tight crossover of "stimulate and inhibit" policies. During the first three quarters, "de-stocking" was the core of mainland China property market policy. The Chinese Government launched stimulation measures, such as lower down-payments and taxes and loosening of credit and loans. As well as the tightening polices of those popular cities, most other cities supported and implemented the de-stocking measures. In the fourth quarter, the situation changed with the launch of policies to inhibit "asset bubbles", such as restrictions on property purchase, lending, pricing and funding. During the year, Hong Kong and Macau property markets overall remained stable, but downward pressure became obvious in short-term after "cooling measures" were implemented by the Hong Kong government. With some property developers from mainland China to acquire land at higher prices, the property market sentiment improved.

As an industry leader with annual sales that have exceeded HK$100 billion every year since 2012, the Group was sought to maintain a relatively balanced monthly sales performance despite varying market conditions. The value of contracted sales reached a record high of HK$42.79 billion in September 2016, contributing to annual contracted property sales (including sales of projects with joint ventures and associates) of HK$210.6 billion, surpassing the interim upward adjusted annual target of HK$210 billion. Properties with area of 13.04 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 and timely judgement of 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.

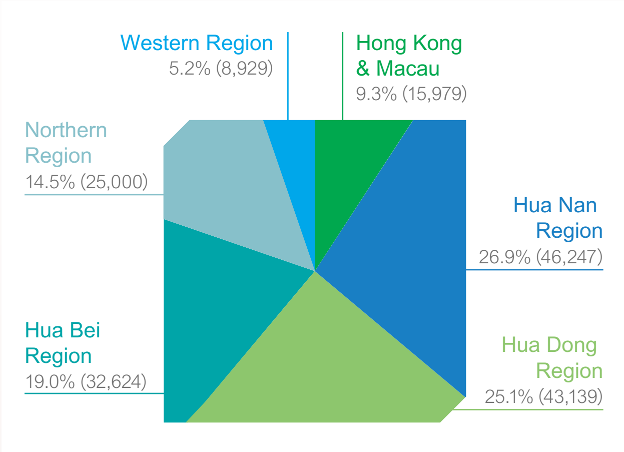
2016 GROUP'S CONTRACTED SALES IN AREA BY REGION

'000 sq m



2016 GROUP'S CONTRACTED SALES AMOUNT BY REGION

HK$ million



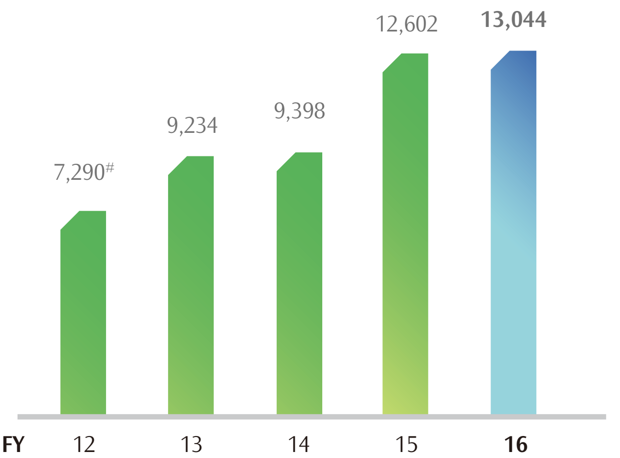
Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

In response to market changes, the Group accelerated construction of its property projects in mainland China, completing a total area (including joint ventures) of about 13.35 million sq m. The value of sales recognised as the Group's revenue in 2016 was HK$118.61 billion. Furthermore, the level of sales for property completed by the Group as at the end of 2015 increased significantly, with about 2.28 million sq m sold for approximately HK$41.28 billion. Hence, revenue from property development was HK$159.89 billion. segment profit reached HK$46.94 billion.

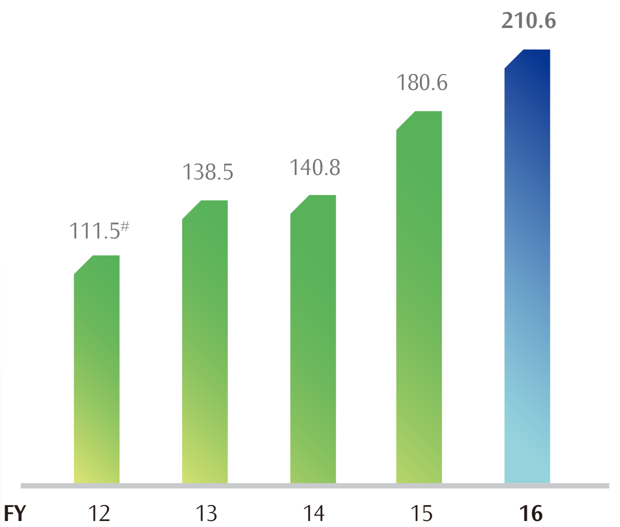
CONTRACTED SALES AREA*

'000 sq m



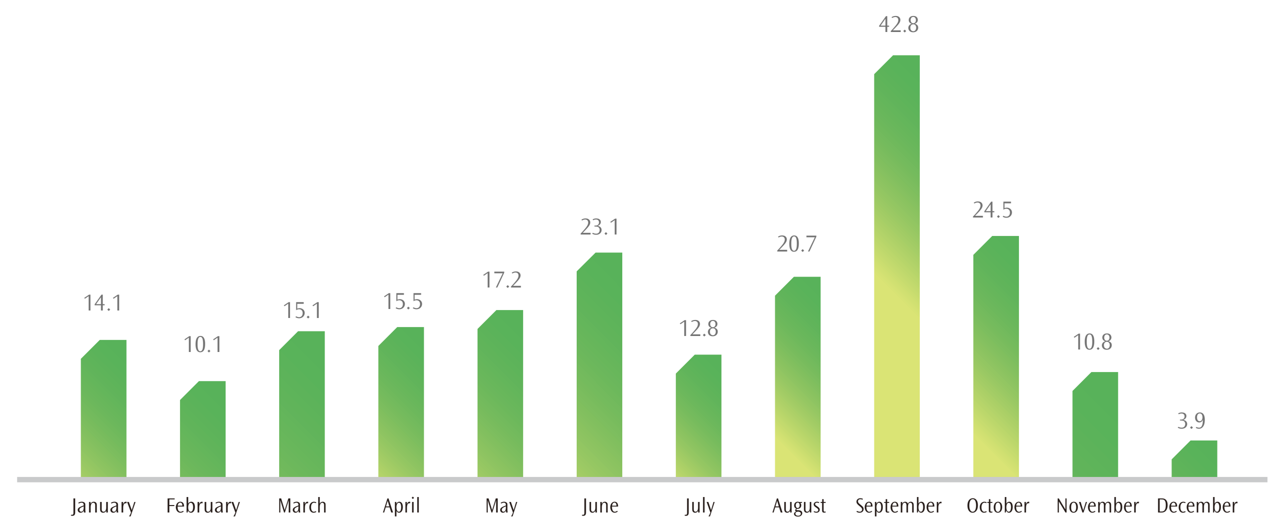
CONTRACTED SALES AMOUNT*

HK$ billion



2016 CONTRACTED SALES AMOUNT BY MONTH*

HK$ billion



* *Including joint ventures and associates*

\# *Including subscribed property sales*

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Looking forward, in order to pursue 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 endeavour to maintain gross profit margins for the Group's projects at an industry-leading level.

At the end of the year, the Group had completed properties of 2.86 million sq m, with cost of HK$51.83 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 2017. In line with the Group's emphasis on the collection of sales proceeds, cash inflow from sales of the Group and joint ventures reached HK$188.71 billion, pre-sales deposits were amounting to HK$86.91 billion as at the end of the year.

The Group continues to strive to expedite its development through joint venture cooperation and mergers and acquisitions. As at the end of 2016, the Group's interests in 23 joint ventures plus amounts due from and deducted amounts due to joint ventures amounted to HK$15.94 billion. Profit contributions from joint ventures for 2016 increased by 19.3% to HK$780 million. In 2016, sales from joint ventures reached HK$14.73 billion, and revenue amounting to HK$12.08 billion was recognised. All the joint ventures were financially sound. As at the end of the year, four projects in aggregate owed outstanding loans of HK$4.19 billion, while cash held by the joint ventures totalled HK$8.95 billion. Cash inflow from sales for the year amounted to HK$11.51 billion while pre-sales deposits amounted to HK$4.65 billion at the year end. Furthermore, COGO, the Company's major associate, recorded a net profit of approximately HK$930 million. The Group recorded a net profit contribution of approximately HK$340 million from COGO.

After the acquisition of Shell Electric Mfg. (Holdings) Co. Ltd. (now "COGO") in 2010 and the acquisition of the property portfolio from CSCECL in 2015, the Group completed the CITIC Assets Acquisition on 15 September 2016. The Company issued shares to CITIC Limited and sold a property portfolio to settle the consideration. Such a huge transaction could be completed in just six months, demonstrating the Group's ability in mergers and acquisitions. After the acquisition, the Group will make efforts in improving efficiency, reducing costs, and enhancing investment returns of the CITIC Acquired Group by leveraging its competitive advantages and professional expertise. As a whole, this acquisition reinforced the Company's leading status in the China property market.

In 2017, 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. Anticipating even more intense competition in the property sector. For most property developers, 2017 will remain a highly challenging year. However, the Group is in a relatively favourable position thanks to its operational and financial strength, coupled with a strong brand.

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 businesses in an appropriate manner.

The success over more than a decade were due to the Group's focus on the real estate industry and professionalism, the Group will firmly focus on the domestic real estate development business, continue to implement and improve the nationwide development strategy, provide differentiated and value-for-money quality residential in economically thriving city centers. The Board is confident that through its two-pronged strategy comprising endogenous organic growth and external acquisitions, will enable the business to grow sustainably, consolidating the Group's industry leading position. Through continuous innovation, the Group will continue to enhance the unique competitive advantages in the property sector, achieving sustained and stable, high-quality balanced growth, confident to build an evergreen enterprise.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Area of Projects Completed (including joint ventures) in 2016 by Region (unit: '000 sq m)

	Area	
Hua Nan Region		
Fuzhou	177	
Hainan	42	
Shenzhen	261	
Guangzhou	49	
Foshan	922	
Changsha	142	
Xiamen	140	
Zhuhai	578	
Sub-total	**2,311**	**(17.3%)**
Hua Dong Region		
Wuxi	292	
Hangzhou	610	
Suzhou	619	
Nanjing	310	
Ningbo	532	
Nanchang	10	
Shanghai	317	
Sub-total	**2,690**	**(20.1%)**
Hua Bei Region		
Beijing	363	
Tianjin	806	
Jinan	1,580	
Zhengzhou	168	
Sub-total	**2,917**	**(21.9%)**
Northern Region		
Changchun	649	
Qingdao	60	
Shenyang	816	
Yantai	195	
Harbin	659	
Sub-total	**2,379**	**(17.8%)**
Western Region		
Kunming	670	
Xinjiang	153	
Chengdu	628	
Xi'an	655	
Chongqing	374	
Sub-total	**2,480**	**(18.6%)**
Hong Kong & Macau		
Hong Kong	48	
Sub-total	**48**	**(0.4%)**
Property projects sold to COGO		
Weifang	117	
Huangshan	42	
Jiujiang	3	
Yangzhou	92	
Huizhou	272	
Sub-total	**526**	**(3.9%)**
Total	**13,351**	

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development

Hua Bei Region

City In Park, Tianjin

(100%-owned)

Location:	Jinnan District, Tianjin
Site area:	2,476,886 sq m
GFA:	2,832,300 sq m
Year of expected completion:	2022

Located in wide area of Tianjia Lake, Tianjin, one of the 5 natural wetland eco-tourism spots under Tianjin municipal plan. The project is easily accessible as it is only a 10-minute ride to Balitai Model Town and Jinnan old town, surrounded by a wide range of commercial amenities. The project is developed in four phases, and provides 1,490 villas, 2,511 high-rise residential units, 957 western-style houses and shops. Except Phase Four with its construction plan pending for approval, the other phases are completed. The initial sales launch of Phase Two high-rises and Phase Three villas took place after the completion of CITIC Assets Acquisition, where it was greatly received by the market and 232 units were sold out within 2 hours.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Bei Region (continued)

International Community, Jinan

(100%-owned)

Location:	Shizhong District, Jinan
Site area:	1,783,000 sq m
GFA:	3,110,000 sq m
Year of expected completion:	2018

International Community is located in Jiuqu zone, Central City, Jinan, which is easily accessible with a well-developed road network and is surrounded by three mountains, natural landscape with comfortable features. The project is developed in 13 phases and provides a total of 17,613 residential units, 822 villas and 318 shops, as well as 3 kindergartens, 3 primary schools and 1 junior high school. With a good construction progress, they are scheduled for completion in December 2018. As at 31 December 2016, 14,388 units were launched for pre-sale of which 77% of the units has been sold.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Northern Region

International Community, Yantai

(100%-owned)

Location:	Yantai High-tech Zone
Site area:	451,575 sq m
GFA:	1,379,651 sq m
Year of expected completion:	2021

Conveniently located in the center of Yantai Technology CBD, International Community has easy access to well-established public and transportation facilities, ample medical resources and premium education facilities with all local major schools situated within a 15-miniute ride. The project is developed in six phases, including high-rise, mid-rise, multi-story and commercial properties, providing a total of 10,346 residential units. International Community has received various awards, such as being the winner of "Civilised Model Community of Shandong Province", "Quality Structure of Shandong" and "Safe and Civilised Company in Shandong". Pre-sale qualification of 4,748 residential units has been met and 3,766 units have been sold, with a sold-out rate of 80%.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Northern Region (continued)

COLI City, Shenyang

(100%-owned)

Location:	Yuhong District, Shenyang
Site area:	1,253,855 sq m
GFA:	2,680,841 sq m
Year of expected completion:	2020

COLI City situates at the center of North 2nd Ring Road of Shenyang at the intersection of Xijiang Street and Songshan Road, a zone well known for the exotic European ambiance. COLI City enjoys well-developed ancillary facilities including full-fledged transportation, commercial, education and dwelling establishments, surrounded by four metro lines as well as a number of bus lines. The project consists of five phases. Except Phase Five which is under construction, Phases One to Four have been completed, providing a total of more than 12,700 residential units, 59 villas, 2,980 shops and over 6,400 underground parking spaces. Almost all high-rise and multi-story residential units of Phases One to Four have been sold out, while around 88% units of villas and over 89% for commercial properties were also sold out.

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Western Region

The New Times, Xi'an

(100%-owned)

Location:	Weiyang District, Xi'an
Site area:	278,000 sq m
GFA:	725,554 sq m
Year of expected completion:	2020

Situated on Taihua Road, Weiyang District, a core residential area within the 2nd Ring Road of Xi'an. The project is near Daming Palace National Heritage Park with commercial and residential communities. The project is developed in five phases. Phases One and Two are completed, the construction of Phase Three is in progress, the remaining phases are not yet developed. The whole project is expected to be completed in 2020. Phases One to Three provide over 3,100 residential units and more than 130 shops. During the year, 349 residential units launched for pre-sale, around 60% of which were sold.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Dong Region

The Grace, Nanjing

(100%-owned)

Location:	Xuanwu District, Nanjing
Site area:	123,245 sq m
GFA:	348,421 sq m
Year of expected completion:	2018

The Grace enjoys an excellent geographical location, situated at the south of Huafei Road and east of Hengjia Road in Xuanwu District of Nanjing, with a planned metro line and two school zones. It provides 1,364 high-rise residential units, 709 mid-rise residential units, 10,339 sq m of commercial space, and over 3,000 sq m of kindergarten space. Currently approximately 30% construction progress has been completed. 596 residential units were launched for pre-sale in June 2016, approximately 90% of units were sold on the first day. During the year, more than 1,430 residential units were sold at over RMB5.8 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hua Dong Region (continued)

Dragon Bay, Suzhou

(100%-owned)

Location:	Xiangcheng District, Suzhou
Site area:	93,338 sq m
GFA:	343,721 sq m
Year of expected completion:	2017

Located near the Central Metro in Xiangcheng District of Suzhou, within the school zone with easy access to high-speed rail. The project is developed in two phases and provides a total of 2,384 residential units in 13 high-rises, which are expected to be delivered in December 2017. 400 residential units were launched for pre-sale in July 2016 and all were sold out. Currently more than 80% of residential units have been sold. The project is awarded "Sina Dwelling - 2016 Quality Developments in Suzhou".

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:	180,000 sq m
GFA:	1,305,548 sq m
Year of expected completion:	2017

Located in Liwan District, Guangzhou, the project is easily accessible as it is near the exit of Xilang 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 named as Jinyu Court, Jinhui Court, Jinguan Court and Jinjia Court respectively, providing a total of more than 7,500 residential units. Except Jinyu Court which was completed at the end of 2016, others are expected to be completed before the end of 2017. 2,030 residential units of Jinyu Court have been sold since its initial launched to the market in September 2015, representing 84% of its residential units. Jinhui Court and Jinguan Court were initially launched to the market in the middle of 2016, 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)

La Cite, Fuzhou

(100%-owned)

Location:	Shangjie Town, Minhou County, Fuzhou
Site area:	174,309 sq m
GFA:	712,093 sq m
Year of expected completion:	2019

La Cite is situated at the core area of southeastern extension of Fuzhou District, with a mature university zone. The project is located near the Wulongjiang River. It is easily accessible as it is on the west transport hub of Fuzhou, which consists over 30 bus lines and Houting Station of Metro Line 2 and supported by the only five-star hotel, a kindergarten and an experimental primary school. The project is developed in four phases, providing a total of 3,320 high-rise residential units, 50 four-storey villas, 3,210 SOHO units, 594 apartments and 415 shops in the 3-storey commercial space. The construction of Phases One and Two is in progress, and the whole project is expected to be completed in 2019. Currently 2,439 residential units, 8 villas and 199 shops are launched for pre-sale, 51% of which have been sold.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Hong Kong and Macau

One Kai Tak (I) & (II)

(100% owned)

Location:	Kai Tak Development Area, Hong Kong
Site area:	16,356 sq m
GFA:	120,690 sq m
Year of expected completion:	2017

Located in Kai Tak Development Area, Hong Kong and is a part of the grand Kai Tak Development Plan with planning area of 320 hectares, including 1 cruise terminal, 2 railways, 3 stadiums, 4 large green parks, 6 sea-view hotels, 14 commercial buildings to form a convenient living area and unique picture. The project is developed in two phases, which includes 4 residential high-rises ranging from 29 to 33 storeys and 13 four-storey residential low-rises, providing a total of 1,169 residential units, more than 1,900 sq m of shopping space and 250 parking spaces. At present, the high-rises and low-rises have been roofed. One Kai Tak is developed under the "Property for Hong Kong People" Program, the project can be sold only to Hong Kong permanent residents within 30 years from the land grant. During the period from 25 August to 7 September 2016, the project offered a total of 521 high-rise residential units, all of which were sold out. With over 10,000 applications received, it received the largest number of registration of intent in Kowloon in 18 years. More than 90% applicants were present for selecting the properties. The project has been well received by the market with 300 units sold within 6 hours on the first day. Phase Two rolled out 188 high-rise residential units on 14 January 2017, all sold out on the same day and followed by 122 additional high-rise residential units offered on 21 January 2017, which were also all sold out on the same day.

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	Area '000 Sq m
The Joyful City, Wuzhong District	100	Commercial/ Residential	Suzhou	2017	339
Dragon Bay, Xiangcheng District	100	Residential	Suzhou	2017	343
The Imperial, Binhu District	100	Commercial/ Residential	Wuxi	2017	289
One Blossom Cove, Liwan District	100	Commercial/ Residential	Guangzhou	2017	1,305
La Cite, Minhou County	100	Commercial/ Residential	Fuzhou	2017	712
The Phoenix, Chancheng District	100	Commercial/ Residential	Foshan	2017	298
Glorious City, Longhua District	100	Commercial/ Residential	Hainan	2017	288
Golden Bay, Nanhai District	100	Commercial/ Residential	Foshan	2017	363
Mangrove Bay, Xiangzhou District	100	Residential	Zhuhai	2017	802
One Kai Tak, Kai Tak District	100	Residential	Hong Kong	2017	82
The Paragon, Luohu District	100	Commercial/ Residential	Shenzhen	2017	259
La Cite, Technical Economic Development Area	100	Residential	Changchun	2018	1,265
The Grace, Xuanwu District	100	Residential	Nanjing	2018	348
International Community, Shizhong District	100	Commercial/ Residential	Jinan	2018	3,110
Paramount Jade, Licheng District	100	Commercial/ Residential	Jinan	2018	3,715
International Community, High-tech District	100	Residential	Yantai	2019	1,380

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	Area *'000 Sq m*
The New Times, Weiyang District	100	Commercial/ Residential	Xi'an	2020	726
COLI City, Yuhong District	100	Commercial/ Residential	Shenyang	2020	2,681
Lai Chee Shan, Taipo	80	Residential	Hong Kong	2021	92
Gate of Peace, Heping District	100	Commercial/ Residential	Shenyang	2021	1,705
City In Park, Jinnan District	100	Residential	Tianjin	2022	2,477
Cop City Plaza, Hedong Distric	100	Commercial/ Residential	Tianjin	2030	877

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT

Project JA at Shijingshan District, Beijing

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

Annual Summary

- Annual rental income was HK$2.14 billion
- Increase in fair value of investment properties amounted to HK$7.72 billion, mainly attributable to completed investment properties such as Beijing Shijingshan China Overseas Building, Beijing China Overseas Plaza and Shenyang China Overseas International Center, as well as investment properties under construction such as Beijing Metro Town North, Beijing Shijingshan Project JA and Taiyuan China Overseas International Center
- Investment properties held at the end of 2016 amounted to 2.50 million sq m
- Currently, the total area of commercial property under development and yet to be developed amounted to 4.40 million sq m. About 1.20 million sq m of this area will be completed by the end of 2018

Universal Center, Hangzhou

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

China Overseas Cloud Business, an office operation service brand initiated by China Overseas Property in November 2014, was brought to fruition in 2016. Over 500 merchants joined the cloud and approximately 500 tenants became its users, being a great step towards the model of "Pro-growth, Fine Management and Smart Living". In 2016, the Group also innovatively introduced the Characterised Offices program in the industry, launching public welfare, art and sports events to forge a hallmark of China Overseas' offices across China for gradual promotion of the branded operation of its commercial properties. In April 2016, China Overseas Cloud Business was awarded "China's Leading Self-media for Commercial Properties 2016" issued by the Office Committee of China Real Estate Chamber of Commerce. Among the first winners of the award, China Overseas Cloud Business reaped extensive market recognition by virtue of its dominance and publicity in China's office segment.

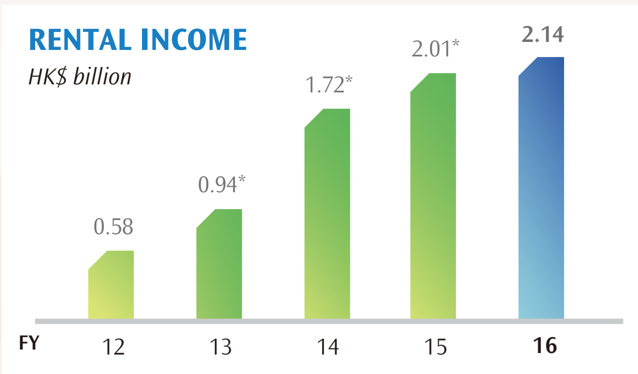
On 6 July 2016, the Group launched Officezip as a new independent operation brand for its Grade A offices. Relying on Grade A offices of the Group across China, Officezip focuses on shared offices, meeting room rental and conference services, coupled with value-added services from China Overseas Cloud Business to offer co-working office space combining short-term leasing, conference and full-spectrum services. Since Officezip debuted in Shanghai, Beijing and Chengdu, China Overseas Cloud Business has gradually extended to the field of full-spectrum services.

By accelerating the integration of commercial office services and Internet technology, it leverages WeChat portal to enhance intelligent office services and offer cloud-based privileged services to its tenants. In the future, the Group will continue to expand resources for China Overseas Cloud Business to create a new ecosystem for commercial buildings, to add value for merchants, shareholders and brand for wealth and resource sharing, and mutual success.

To enhance value of property assets and raise rental price, the Group carried out a string of asset enhancement measures for certain properties during the year. Beijing China Overseas Plaza and Shanghai China Fortune Tower completed the various hardware upgrades, including upgrades the car park system to electronic toll collection system, replacement of elevator wire rope and improvement of the waterproofing measures. The Group also successfully introduced high-quality tenants to enhance its property brand. In the future, the Group will continue to focus on property quality, commercial facilities, soft services and tenant quality to increase the asset value of its properties to support the continuous growth in rental income.

The Group has always attached great importance to 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 Group strives to develop a series of high-quality investment properties. Following the completion of investment properties such as Chengdu China Overseas International Center Phase Three, Foshan Unipark Shopping Mall and Beijing China Fortune International Harbor in 2016, coupled with the investment properties acquired in London and from the CITIC Assets Acquisition, the Group held an aggregate area of 2.50 million sq m of investment properties in mainland China, Hong Kong, Macau and London. The overall occupancy rate of the Group's investment properties remained satisfactory. Total rental income for the year was HK$2.14 billion, representing a year-on-year increase of 6.2%. Segment profit amounted to HK$11.88 billion, which included an increase in fair value of investment properties of HK$7.72 billion (net gain after deferred tax attributable to the shareholders was HK$5.65 billion).

To optimise its investment property portfolio, the Group also sold a few non-core investment properties during the year.



* *FY13 to FY15 figures were restated.*

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

COMPLETED INVESTMENT PROPERTIES

The Group's completed office buildings and commercial properties are premium assets in well-chosen locations with easy accessibility and outstanding building quality which attract large-scale domestic enterprises, multi-national companies, brands and financial institutions.

Chengdu China Overseas International Center Phases One and Two sustained high occupancy rate, contributing stable rental income to the Group. Its Phase Three was also completed in November 2016, comprising Towers C and D with 32 floors each which include Grade A offices and commercial space for premium brands with a total area of approximately 180,000 sq m. In addition, the additional two Grade A office buildings under construction are expected to be completed by the end of 2017, with a total area of approximately 170,000 sq m. Under the "China Overseas Cloud Business" system, services are provided to office tenants from three aspects namely staff life, corporate operation and corporate development. A series of monthly and quarterly activities were organised, including matchmaking and sports events for white-collars, movie-going and open classes.

Foshan Unipark, a mall combining shopping, leisure, entertainment, education and catering services with a total area of approximately 130,000 sq m, debuted in July 2016 and recorded occupancy rate of over 80%. As a masterpiece of world-class designers, the mall combines green plants, ecological water landscape and a complete set of children's amusement facilities imported from Europe and the United States to make full use of green landscape of the ecological square. The green park concept is introduced indoors through the cascaded garden platform, to create a unique "shopping park". With an 800 sq m large atrium to provide natural lighting and two "Flying Ladders" peerless in Nanhai, the mall closely integrates ecological landscape with high-tech to bring consumers the novel and unique shopping experience. Nearly 130 premium domestic and overseas department store, apparel and toy brands have been introduced, including more than 30 brands firstly seen in Foshan, which demonstrate the appeal of the mall.

The investment properties acquired from the CITIC Assets Acquisition mainly include Changsha Unipark (formerly known as "CITIC City Plaza"). With a total area of approximately 200,000 sq m, the project is conveniently located at the junction of Huanbao West Road and Zhongyi Er Road in Tianxin District of Changsha, a central area at the intersection of Changsha-Zhuzhou-Xiangtan, neighboring a number of premium communities and a metro station of Changsha. The project consists of an office building and a shopping center, featuring internationally leading space design, the first eco-entertainment roof garden in Changsha, the largest reticulated canopy in Asia, the largest smart parking lot in Changsha and a 16.8m-length flying ladder in the atrium. After a grandeur debut in December 2016, it has attracted tenants mainly including large apparel brands, supermarkets, indoor children's theme parks and cinemas. On 13 April 2016, it was awarded the "Gold Coordinate –Most Anticipated Commercial Establishment" at the 11th Chinese Commercial Real Estate Festival for 2016, demonstrating eager attention and expectations from the sector.

In January 2016, the Group completed the acquisition of One South Place (The Helicon) in London, the fourth investment property of the Group in London. Located at the center of the city, the property is an independent island-shape land lot rarely seen in the zone, looking to streets from four directions and adjacent to Moorgate and Liverpool Street underground/railway stations as well as Crossrail, the largest metro infrastructure of Europe under construction. With the countdown of Crossrail's operation, Moorgate and South Place streets saw increasing sentiment of commercial climate. The project is also adjacent to the city's largest public greenbelt Finsbury Circus, and South Place Hotel, one of the few boutique hospitality facilities in the city, is just a street away in the east. This is a location with easy accessibility, commercial prosperity and well-established urban facilities. The project was designed by a famous British architect, founded in 1996 and refurbished in 2012 to 2013 with a total area of approximately 21,000 sq m, attracting tenants mainly including leading global enterprises and banks.

Other investment properties including China Overseas Property Building, China Overseas Plaza and China Overseas Property Plaza in Beijing, China Fortune Tower in Shanghai and three investment properties in London 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	Total area sq m
(a)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	100	Beijing	2051	24,668
(b)	China Overseas Plaza, Jianguomenwai Avenue, Chaoyang District, Beijing	100	Beijing	2053	145,332
(c)	China Overseas Property Plaza, West Bin He Road, Yong Ding Men, Dongcheng District, Beijing	100	Beijing	2043	87,699
(d)	China Fortune International Harbor, Huangcun Town, Daxing District, Beijing	80	Beijing	2050	15,061
(e)	China Overseas International Center Phase One, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2047	138,643
(f)	China Overseas International Center Phase Two, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2047	67,889
(g)	China Overseas International Center Phase Three, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2047	180,977
(h)	Blocks F and G, West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2051	143,923
(i)	Block J, Renhe No. 39 parcel of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2052	100,454
(j)	China Overseas Building, 36 East Longteng Road, Wuhou District, Chengdu	100	Chengdu	2045	35,174
(k)	China Overseas Building, No. 76 Yanji Road, Shibei District, Qingdao	100	Qingdao	2047	61,319
(l)	Unipark Shopping Mall, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2049	76,288
(m)	China Overseas Plaza, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2049	103,588

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	Total area sq m
(n)	China Overseas Building, Lao Gu Cheng Village JB parcel, Shijingshan District, Beijing	100	Beijing	2053	44,247
(o)	China Overseas Building, The junction of Xinkaimen North Road and Furong South Road, Qujiang New District, Xi'an	100	Xi'an	2080	34,932
(p)	China Overseas International Center, No.905, Nandi West Road, Heping District, Shengyang	100	Shenyang	2050	114,593
(q)	China Overseas Building, No.39 Qingliangmen Street, Gulou District, Nanjing	100	Nanjing	2046	35,642
(r)	China Overseas Building, No.257 Hanjiang Ave, Hanyang District, Wuhan	100	Wuhan	2053	60,633
(s)	China Overseas Plaza, Bai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2050	227,759
(t)	Unipark Shopping Mall, No. 18 Guinanzhong Road, Nanhai District, Foshan	100	Foshan	2052	130,598
(u)	Unipark Shopping Mall, No.111 Zhongyi Two Road, Tianxin District, Changsha	100	Changsha	2046	202,753
(v)	China Fortune Tower, 1568–1588, Century Avenue, Pudong New District, Shanghai	51	Shanghai	2054	95,622
(w)	Ascott Macau, R. Cidade de Braga, Nape, Macau	100	Macau	2049	15,886
(x)	One Finsbury Circus, One Finsbury Circus, London, U.K.	100	London	2986	19,260
(y)	61 Aldwych, 61 Aldwych, London, U.K.	100	London	Freehold	16,482
(z)	Carmelite House, 50 Victoria Embankment, Carmelite House, London, U.K.	100	London	Freehold	12,447
(aa)	One South Place (The Helicon) One South Place, London, U.K.	100	London	Freehold	21,150

Management Discussion and Analysis (continued)

PROPERTY INVESTMENT (CONTINUED)

INVESTMENT PROPERTIES UNDER CONSTRUCTION

Currently, the area of commercial properties under development and to be developed by the Group amounts to about 4.40 million sq m, it is expected that 1.20 million sq m will be completed by the end of 2018. Projects cover cities such as Beijing, Chengdu, Tianjin, Jinan, and Taiyuan. It is expected that the annual rental income from commercial properties will exceed HK$2.50 billion by 2018.

No. 4 parcel at south section of Aonan Community is positioned to become a business complex, including two international Grade A office towers and a boutique small shopping center with a total area of approximately 140,000 sq m. It is expected to be completed by the end of 2017. The office focuses on an innovative model featuring green, comfort, smart, high-speed and premium commercial experience to open a new leaf of smart office, while the shopping center combines top commercial space concept, delicate indoor design and attractive landscape to showcase artistic and natural beauty. It expects to become a trendy hub pooling shopping, leisure and social connections.

In addition, Project JA at Shijingshan District of Beijing is also expected to be completed by the end of 2017. The project consists of a Grade A office tower and a commercial podium, with a total area of approximately 70,000 sq m. The project has a grand ladder-like facade given its step-backward design from the 4th floor, featuring column-free panoramic daylighting and elegant public area at standard floors in a clearly-defined and well-functioned interior layout. Premium branded equipment and cutting-edge service facilities are adopted to build it into an urban commercial landmark, offering tailored office spaces to leading domestic and foreign enterprises.

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

No.4 parcel at south section of Aonan Community, Beijing

Project JA at Shijingshan District, Beijing

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	Total area *sq m*
(a)	No. 4 parcel at south section of Aonan Community, Olympic Cultural Business District, South Section of Olympic Cultural Park, Chaoyang District, Beijing	100	Beijing	2017	2050	139,611
(b)	Project JA, Lao Gu Cheng Village JA parcel, Shijingshan District, Beijing	100	Beijing	2017	2055	69,770
(c)	Block H, West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2017	2051	84,478
(d)	Block I, Renhe No. 39 parcel of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2017	2052	92,597
(e)	No. 8, The Milestone, The Junction of Wei Jin South Road and Wu Jiayao Street, Hexi District, Tianjin	100	Tianjin	2017	2053	95,300
(f)	International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2018	2049	198,967
(g)	China Overseas International Building, Bin He West Road, Tanggu District, Tianjin	100	Tianjin	2018	2049	170,487
(h)	Metro Town North, North of Meigouying Village, Renhe Town, Shunyi District, Beijing	100	Beijing	2018	2051	113,078
(i)	La Cite, the south junction of Yingze Bridge West and Jinci Road, Wanbailin District, Taiyuan	100	Taiyuan	2018	2053	271,289
(j)	China Overseas Building, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2019-2020	2048	332,621

Management Discussion and Analysis (continued)

OTHER OPERATIONS

Shenzhen Bay Technology and Ecology City

Management Discussion and Analysis (continued)

OTHER OPERATIONS (CONTINUED)

PLANNING AND CONSTRUCTION DESIGN

For the three decades since its incorporation, Hua Yi always upholds the corporate philosophy of "create customer value, adhere to brand mission" and actively participate in various types of architectural design at home and abroad. Its architectural works spread across numerous cities in China, with over 1,500 architectural and engineering design projects, covering urban planning, commercial complexes, residential design, office buildings construction, hotel construction, medical, recreational and sports facilities, creative industry parks, urban renovation, etc. Over 160 projects were granted about 390 excellent design awards at national level, provincial level and Shenzhen municipal level.

Boosted by the "Urban Planning — Architectural — double class A" platform, Hua Yi's core competitiveness, brand influence and integrated service capabilities have been further enhanced through the integration of its professional resources and overall planning capability, the high-quality and high-standard architectural works produced by integrating architectural design and technology, improvement and extension of business chains, enhancement of core competencies, brand influence and overall service capability, and is well recognised within the industry. In 2016, new contracts signed by Hua Yi reached approximately HK$900 million and the revenue was approximately HK$400 million.

ICBC Building, Shenzhen

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 positions. In terms of treasury management, the Group implements central 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 positions of the Group, cash collection and requirements of future operations as well as future changes in the capital market, subject to a reasonable level of borrowing (a net gearing ratio of generally not higher than 40%) and adequate financial resources.

FINANCIAL PERFORMANCE

Shareholders' interests are always the top priority for the Group as it dedicates itself to delivering value to shareholders. The Group continued to achieve satisfactory growth in sales and profit despite the initially relaxed but subsequently tightened policy regulation adopted by the government on the property market during the year. By expediting cash collection from sales, focusing on treasury management and using leverage appropriately, the Group managed to record satisfactory return on shareholders' funds and growth in profit against a complicated and fast changing environment and an ever-expanding operational scale. By constantly making improvements in management and capturing opportunities arising from market consolidation, the Group is confident that it will continue to maintain sound growth on the back of an annual sales of over HK$200 billion and an annual profit of HK$30 billion, thus delivering satisfactory returns to shareholders. Despite the decrease in return on shareholders' funds due to the slower growth in earnings per share resulting from the issue of new shares by the Company over the past two consecutive years to support acquisitions, the Group will continue to attach importance to the interests of shareholders.

Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

FINANCIAL CONDITIONS

The Group has been increasing its shareholders' funds in recent years to improve its financial structure and strength, leading to greater capacity for fund raising and investment in the future. We are of the opinion that the introduction of CITIC Limited as the Group's strategic shareholder through the issue of new shares of the Company during the year will benefit the future business development of the Group. Despite the impact of RMB depreciation and the adoption of merger accounting for the CITIC Assets Acquisition, the Company recorded a moderate increase in equity attributable to owners to HK$222.25 billion as at the end of 2016, and maintained its leading position among Chinese property companies.

The Group's net current assets as at 31 December 2016 amounted to HK$275.31 billion, representing a year-on-year decrease of 5.0%. Upon the completion of the CITIC Assets Acquisition as well as the restructuring and disposal of assets, the Group's current ratio dropped from 2.6 times for the previous year to 2.4 times this year. Due to the repayment of some of the relatively high-interest rate RMB loans arising from the CITIC Assets Acquisition and the increase in relatively low-interest rate RMB bonds, the financing costs of the Group decreased accordingly during the year, resulting in an increase in the Group's interest cover from 4.6 times for the previous year to 6.3 times this year, remaining at a higher level as compared to the figures for industry peers.

The Group's interest cover is calculated as follows:

	2016 **(HK$ million)**	2015 (HK$ million) (Restated)
Operating profit	**57,905**	50,554
Deducting:		
Total interest income	**2,256**	2,055
	55,649	48,499
Interest expense*	**8,821**	10,582
Interest cover (times)	**6.3**	4.6

* *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 new banking facilities amounting to HK$68.44 billion (including the additional bilateral loans during the year in respect of the CITIC Acquired Group). Taking into consideration of the lower financing costs in mainland China, as well as the downside pressure of RMB under the strong US$, the Group completed its domestic issuance of 10-year RMB bond of RMB6.0 billion in mid-August, and together with the issuance of RMB bond of RMB1.0 billion by the CITIC Acquired Group at the beginning of the year, making notes payable issuance for the year reached RMB7.0 billion in total. 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$177.20 billion. Together with the net cash inflow from joint ventures projects amounting to HK$1.73 billion, the Group had more than sufficient cash resources to meet repayments for bank and other borrowings and all expenses, such as land premiums, construction costs and tax, selling and distribution, administrative and finance 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's capital expenditure will continue to increase every year, and the Group is also required to increase its net financing each year to support ongoing business development. During the past two years, the Group recorded less capital expenditure (excluding acquisition costs) as its land reserve increase resulting from the asset injection from CSCECL and the CITIC Assets Acquisition has lowered its demand for land from the market. In addition, except for swapping of the high-interest rate debts arising from the CITIC Assets Acquisition, the Group's financing activities was reduced but the cash in hand was significantly increased. The Group will stick to strict cash flow management. It is expected that notwithstanding the tightening of liquidity for property industry in mainland China, the amount of cash collection from sales in 2017 will still be good.

While placing emphasis on the availability of adequate funds and diversified financing sources, the Group also strives to control the gearing level and borrowing costs. The Group's net gearing ratio sharply declined from 37.3% as at the end of 2015 to 7.5% as at the end of 2016, and with ample cash in hand, the Group has an edge in capturing sound investment opportunities in a volatile market.

During the year, interest expenses of the Group amounted to HK$8.82 billion, dropping by 16.6% as compared to the figure for the previous year, mainly due to swapping of the high-interest rate debts arising from the CITIC Assets Acquisition. The weighted average borrowing cost (annual interest expenses divided by weighted average borrowing amount) decreased from 5.39% in last year to 4.76% in 2016, which is similar to the borrowing cost in 2015 before taking into account the CITIC Assets Acquisition.

As at 31 December 2016, the Group's bank and other borrowings and notes payable amounted to HK$96.25 billion (including RMB bank and other borrowings of approximately RMB59.78 billion) and HK$77.57 billion (US$6.25 billion, EUR1.0 billion and RMB19.0 billion) respectively, with a total of HK$173.82 billion. Secured bank and other borrowings reduced from HK$14.92 billion last year to HK$1.30 billion in 2016, representing 0.75% of total borrowings.

Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

Repayment schedule	2016 (HK$100 million)	2015 (HK$100 million) (Restated)
Bank and other borrowings		
Within one year	**344.7**	295.8
More than one year, but not exceeding two years	**171.0**	357.2
More than two years, but not exceeding five years	**419.8**	645.0
More than five years	**27.0**	2.9
Total bank and other borrowings	**962.5**	1,300.9
Notes payable		
10-year (US$1.0 billion due November 2020)	**77.2**	77.1
5-year (US$750 million due February 2017)	**58.1**	58.0
10-year (US$700 million due November 2022)	**53.9**	53.8
30-year (US$300 million due November 2042)	**23.0**	23.0
5-year (US$500 million due October 2018)	**38.6**	38.6
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)	**42.5**	42.4
5-year (US$250 million due May 2019)	**19.4**	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**	38.4
4-year (EUR600 million due July 2019)	**48.6**	50.4
4-year (EUR400 million due November 2019)	**32.4**	33.6
6-year (RMB7.0 billion due November 2021) (i)	**78.4**	83.9
7-year (RMB1.0 billion due November 2022) (ii)	**11.2**	12.0
10-year (RMB6.0 billion due August 2026) (ii)	**67.2**	–
5-year (RMB4.0 billion due December 2020) (i)	**44.4**	47.5
5-year (RMB1.0 billion due January 2021) (i)	**11.1**	–
Total notes payable	**775.7**	709.5
Total borrowings	**1,738.2**	2,010.4
Deducting:		
Bank balances and cash	**1,571.6**	1,228.0
Net borrowings	**166.6**	782.4
Equity attributable to owners of the Company	**2,222.5**	2,095.6
Net gearing ratio (%)	**7.5%**	37.3%

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

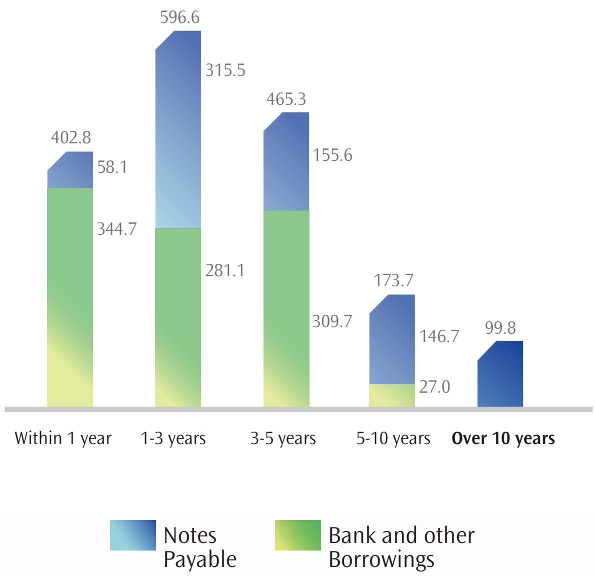
(ii) The notes payable with terms for adjustment of the interest rate and sell back option at the end of the fifth year from issue date.

Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

INTEREST BEARING DEBTS MATURITY PROFILE AT 31 DECEMBER 2016

HK$100 million

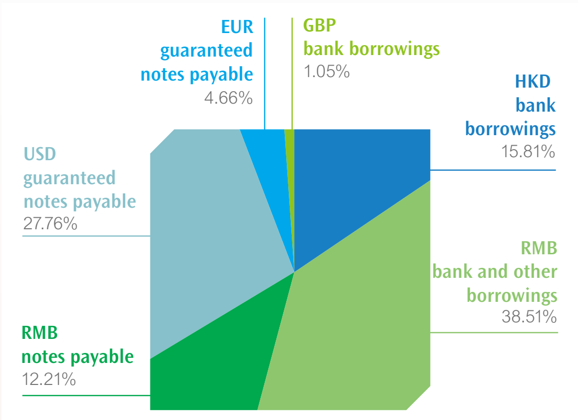


The collection of sales proceeds of the Group amounted to HK$177.20 billion, given the shorter time required by domestic banks for mortgage approval and loan provision. In addition, due to the increase in quality land reserve in several major economic zones arising from the completion of the CITIC Assets Acquisition, the Company had no urgent need of replenishing land reserve. Despite the Group recorded higher repayment amounts than drawdown amount, it still accumulated ample cash by the end of the year. The Group's bank balances and cash increased further from HK$122.80 billion at the end of last year to HK$157.16 billion at the end of 2016.

An analysis of the Group's debts and bank balances and cash at the end of the year by currency is as follows:

	Bank and other borrowings and notes payable	Bank balances and cash
HK$	15.81%	7.61%
US$	27.76%	7.50%
Sub-total	43.57%	15.11%
RMB	50.72%	84.55%
EUR	4.66%	–
GBP	1.05%	0.32%
Macau Pataca	–	0.02%
Total	100%	100%

INTEREST BEARING DEBTS BY CURRENCY AT 31 DECEMBER 2016



Management Discussion and Analysis (continued)

GROUP FINANCE (CONTINUED)

FUND RAISING PLANS

As at 31 December 2016, the Group's available funds amounted to HK$198.23 billion, comprising bank balances and cash of HK$157.16 billion and unused banking facilities of HK$41.07 billion. The Group recorded overall debts of HK$173.82 billion, of which bank and other borrowings due within one year amounted to HK$34.47 billion (including RMB loans equivalent to HK$33.37 billion), accounting for 19.8% of its total borrowings and will be repaid mainly by refinancing. The US$750 million (equivalent to HK$5.81 billion) notes payable due in February 2017 has been repaid.

All in all, the scale of additional financing is not expected to be large for the Group in 2017. The Group will continue to closely monitor the changes in the financial market by fully taking into account RMB depreciation under the strong US$, and it will watch for opportunities to enter into appropriate financing in 2017 to further improve its debt currency structure by increasing non-US$/non-HK$ denominated debts, reducing US$/HK$ denominated debts to lower their proportion while increasing US$/HK$ denominated assets. Furthermore, the Group will resolve the situation of high debt levels and high amounts of cash by stepping up investment and debt repayment.

The Company is one of the few Hong Kong-listed mainland China property development companies that has been awarded investment grade ratings by Fitch, Moody's and Standard & Poor's. During the year, Moody's, Standard & Poor's and Fitch maintained the Company's rating at Baa1/stable, BBB+/stable and A-/stable respectively. 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, reflecting 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 to ensure that investors are informed about and agree with the Group's business approaches and financial and treasury management.

HEDGING ARRANGEMENTS AGAINST EXCHANGE RATE VOLATILITY

As at 31 December 2016, out of its total borrowings, the Group had 66.5% of fixed-rate borrowings and 33.5% of floating-rate borrowings (with 17.1% due within one year, 36.7% due more than one year but not exceeding three years, and 46.2% due more than three years); and 56.4% non-US$/non-HK$ denominated debts and 43.6% US$/HK$ denominated debts. The Group expects two to three interest rate increases for US$ in 2017 as well as tightening-up of liquidity and borrowing cost increase in mainland China. In general, the borrowing cost of the Group will not record significant increase, and interest rate risk should be limited. On the other hand, the Group's major business is property development in China and its assets are mainly RMB denominated assets, with relatively few HK$ denominated assets. Such situation will not change in the near future. The Group considers that RMB is still exposed to the risk of depreciation in the short-term but would become stable in the medium-term, so the foreign exchange risk should be short-term and relatively controllable. HK$ denominated bank borrowings and US$ denominated notes of the Group amounted to HK$75.72 billion and was more than the HK$/US$ denominated assets thus leading to exchange loss. To mitigate the impact of RMB depreciation, the Group began to expedite and increase the scale of remittance of RMB for conversion into HK$/US$ denominated assets starting from the fourth quarter of 2016. Closely monitoring the change in the trend of interest rates and the potential causes that may trigger significant changes in the exchange rates of HK$, RMB and US$, 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 2016, the Group provided, in line with usual business practice, buy-back guarantees for the repayment of bank mortgage loans amounting to HK$42.45 billion granted to certain buyers of the Group's properties. The Group had counter indemnities amounting to approximately HK$2.67 billion for guarantees issued in respect of certain construction contracts undertaken by the Group. The Group has never incurred any loss in the past as a result of granting such guarantees.

Directors and Organisation

(From left to right) Mr. LUO Liang, Mr. XIAO Xiao, Mr. YAN Jianguo and Mr. NIP Yun Wing

Directors and Organisation (continued)

BOARD OF DIRECTORS

Executive Directors

Mr. XIAO Xiao
Chairman and Executive Director
Aged 60, 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, the Senior Vice President of the Company in August 2009, elected as the Chairman and promoted to the Chief Executive Officer of the Company from 15 November 2016 and ceased to act concurrently as Chief Executive Officer of the Company from 1 January 2017. Besides acting as Chairman and the Executive Director 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. With effect from 15 November 2016, Mr. Xiao has also been appointed as Chairman and Non-Executive Director of **China Overseas Grand Oceans Group Limited and Chairman and Non-Executive Director of **China Overseas Property Holdings Limited. He has about 35 years' management experience in construction and property business.

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

Mr. YAN Jianguo
Executive Director and Chief Executive Officer
Aged 50, graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained an MBA degree from Guanghua School of Management in Peking University in 2000. Mr. Yan joined China State Construction Engineering Corporation in 1989 and had been seconded to the Company twice. During the year 1990 to 1992, he had been working for the Shenzhen Branch of China Overseas Property Group and had held a number of positions, including site engineer and Department Head. He was assigned to the Company again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of China Overseas Property Group and President of Northern China Region. Mr. Yan had worked in China State Construction Engineering Corporation from 2011 to June 2014 and had been Director of the General Office, Chief Information Officer and Assistant General Manager. Mr. Yan joined **Longfor Properties Co. Ltd. in June 2014 and resigned on 5 December 2016. During the period, he had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan was appointed Executive Director and Chief Executive Officer of the Company from 1 January 2017. Mr. Yan has about 27 years' experience in construction business, real estate investment and management.

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

Mr. LUO Liang
Executive Director, Vice President and Chief Architect
Aged 52, 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 62, graduated from the Department of Accountancy of The Hong Kong Polytechnic (now renamed as The Hong Kong Polytechnic University) and 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. CHANG Ying
Non-Executive Director
Aged 44, holds a Master degree from the University of New South Wales in Australia and a Master degree from Southeast University in the PRC. Mr. Chang was appointed as a Non-Executive Director of the Company from 15 September 2016. He joined CITIC Real Estate Co., Ltd. in April 2006 and was Executive Vice President of CITIC Real Estate Co., Ltd. and Managing Director and Chief Executive Officer of CITIC Real Estate (Beijing) Investment Co., Ltd. before 15 September 2016. He is currently the Deputy General Manager of Strategic Development Department of **CITIC Limited. Mr. Chang has about 17 years' extensive experience in real estate and investment industry.

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

Directors and Organisation (continued)

Independent Non-Executive Directors

Mr. LAM Kwong Siu
SBS and GBS
Independent Non-Executive Director,
Chairman of the Remuneration Committee,
Member of the Audit and Risk Management Committee,
Member of the Nomination Committee
Aged 82, joined the Board as an Independent Non-Executive Director of the Company on 30 September 2003 and has served the Company for about 13 years. Mr. Lam is also a Member of the Audit and Risk Management Committee (formerly Audit Committee and renamed on 19 October 2016), 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 and Risk Management Committee,
Member of the Remuneration Committee

Aged 71, joined the Board as an Independent Non-Executive Director of the Company on 2 February 2009 and has served the Company for about 8 years. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit and Risk Management Committee (formerly Audit Committee and renamed on 19 October 2016) 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 was elected the Chairman of the council of Endeavour Education Centre Limited from March 2016.

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 SHIPPING Ports Limited (formerly known as 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 **COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited); and an Independent Non-Executive Director and the Chairman of the Remuneration Committee 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 and Risk Management Committee,
Member of the Nomination Committee,
Member of the Remuneration Committee

Aged 42, 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 and Risk Management Committee (formerly Audit Committee and renamed on 19 October 2016), Member of the Nomination Committee and Member of 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 Board Audit and Risk 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 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 2017 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*

Directors and Organisation (continued)

SENIOR MANAGEMENT

Mr. ZHANG Yi
Vice President of China Overseas Land & Investment Ltd.
Aged 50, 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 23 years' management experience in public relation and investment strategy business.

Mr. QI Dapeng
Vice President of China Overseas Land & Investment Ltd.
Aged 46, 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 25 years' experience in finance and corporate management.

Mr. GUO Yong
Vice President of China Overseas Land & Investment Ltd.
Aged 53, 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 33 years' management experience in engineering management and corporate management.

Mr. KAN Hongbo
Vice President of China Overseas Land & Investment Ltd.
Aged 53, 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 27 years' management experience in engineering management.

Mr. OUYANG Guoxin
Vice President of China Overseas Land & Investment Ltd.
Aged 49, 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 26 years' experience in construction and corporate management.

Ms. SHENG Ye
Assistant President of China Overseas Land & Investment Ltd.
Aged 55, graduated from Chongqing Jianzhu University (now known as Faculty of Architecture and Urban Planning, Chongqing University), senior architect. She joined the Group in 1986. Ms. Sheng has about 34 years' experience in architectural design and corporate management.

Ms. XU Xin
Assistant President of China Overseas Land & Investment Ltd.
Aged 48, 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. Ms. Xu has about 26 years' experience in construction, engineering and corporate management.

Mr. CHEN Lie
Assistant President of China Overseas Land & Investment Ltd.
Aged 46, 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 23 years' experience in engineering management and corporate management.

Mr. XU Wendong
Assistant President of China Overseas Land & Investment Ltd.
Aged 50, 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 29 years' experience in architectural design and corporate management.

Mr. ZHUANG Yong
Assistant President of China Overseas Land & Investment Ltd.
Aged 40, graduated from Chongqing University, holder of a master's degree, engineer. He joined the Group in 2000. Mr. Zhuang has about 17 years' experience in human resources management and corporate management.

Mr. LIU Xianyong
Assistant President of China Overseas Land & Investment Ltd.
Aged 45, 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 22 years' experience in marketing and corporate management.

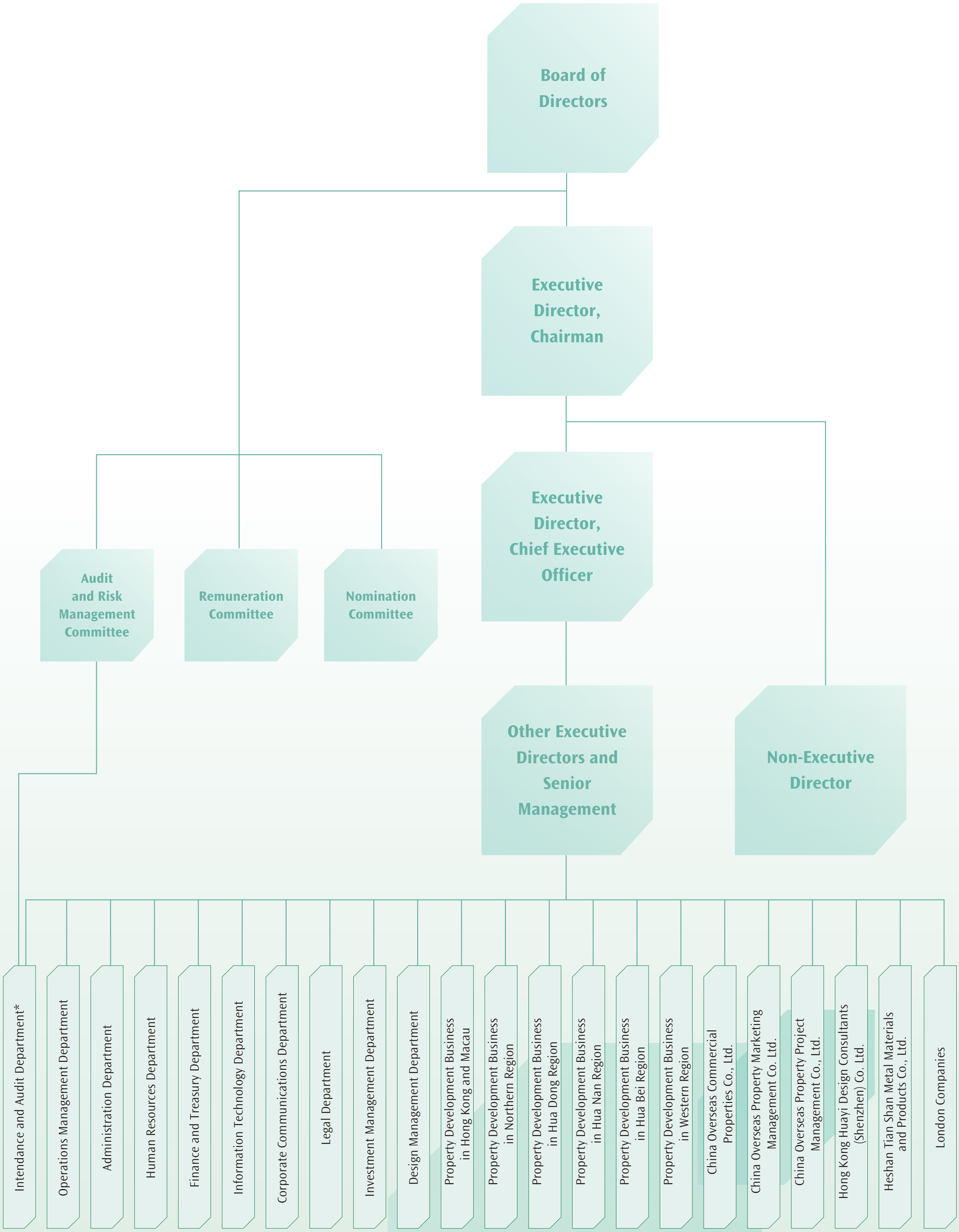
Mr. GUO Guanghui
Deputy Chief Financial Officer of China Overseas Land & Investment Ltd.
Aged 44, graduated from Nanjing University of Science & Technology, holder of a master's degree, senior accountant. He joined the Group in 2006. Mr. Guo has about 22 years' management experience in corporate finance and accounting.

Mr. HAN Chunlin
Assistant President of China Overseas Land & Investment Ltd.
Aged 50, graduated from Shenyang Architectural and Civil Engineering Institute (now known as Shenyang Jianzhu University), senior engineer. Mr. Han joined China State Construction Engineering Corporation in 1998, and joined the Group in 2002. Mr. Han has about 28 years' management experience in construction and corporate management.

Mr. XU Feng
Assistant President of China Overseas Land & Investment Ltd.
Aged 41, graduated from Zhejiang University, senior engineer. Mr. Xu joined China State Construction Engineering Corporation in 1999, and joined the Group in 2004. Mr. Xu has about 18 years' experience in human resources management and corporate management.

Directors and Organisation (continued)

ORGANISATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



* *Risk Management Team is set under Intendance and Audit Department.*

Corporate Social Responsibility

"Cheers Mate! China Overseas Summer Camp for Mainland & Hong Kong Youth 2016"

Corporate Social Responsibility (continued)

Based on its philosophy of "exercising caution in detail and implementation, building a strong foundation to seek greater success" (慎微篤行、精築致遠), the Group is committed to pursues high-level corporate governance and stringent quality control by precisely managing and optimising the entire value chain through property development and operation, continuously fulfill its corporate social responsibility with an aim to maximise and optimise the effectiveness of its corporate citizenship initiatives in the operational, social and environmental areas. During the year, the Group, as always, fulfilled its corporate social responsibility in four major aspects, including customer service, staff development and personal growth, environmental protection and community welfare.

The Group continued to refer to the internationally recognised Sustainability Reporting Guidelines (G4 Guidelines) in reporting its work on corporate responsibility, managing and disclosing key defined corporate social responsibility issues after consulting with its stakeholders. Moreover, the Group has continued to be a constituent member of the "Hang Seng Corporate Sustainability Index Series" and the "Hang Seng (Mainland and HK) Corporate Sustainability Index" since their launch in 2010, underlining its top-notch performance in environmental protection, social responsibility and corporate governance.

CUSTOMER SERVICE

Customers serve as the foundation of the Group's sustainable development and the source of motivation for product innovations. The Group insists on providing customer services throughout the entire process from positioning, planning, construction, sales, occupation and after sales property services. This enables the Group to be involved in all business procedures of property development operations from the customers' perspective, and keeps improving products and services in the benefits of customers. To carry out customer relationship management in a systematic and sophisticated manner, the Group allocates the functions and duties of customer services into seven major segments, including pre-customer relationship, communication with prospective property owners, occupation management, maintenance and supervision after-sales, proactive customer care service, management of property owners' complaints as well as collaboration with property management companies. The Group persists to enhance the level of customer relationship management through the guidelines on duties for customer relationship.

"Cheers Mate! China Overseas Summer Camp for Mainland & Hong Kong Youth 2016"

The Group continues to apply a strategy to satisfy the needs of market and customer by delivering quality products and winning market reputation through distinctive product characteristic and professional management. Moreover, a whole-processing and multi-dimensional customer service network has been established to provide professional and personalised services, such as the handling of product defects, pre-occupation quality inspection, maintenance and inspection within one year after occupation, property quality inspection and other dedicated services, to exercise control over the quality of products and services, thereby winning customers' long-term loyalty to the brand of China Overseas Property.

The Group continues to deliver customer-oriented services by constantly strengthening customer service awareness among all its personnel and engaging third-party research agencies to carry out sample surveys on product and service satisfaction in various sales stages and among property owners during different periods after occupation. The Group collects customer comments and suggestions on developers' issues regarding product sales, design and quality in property management companies' daily services, in order to keep improving the Company's customer service level and property management quality. Moreover, the Group collects customers' opinions and feedback via hotlines, written suggestions, owners' forums, social media and other channels, and promptly responds to customer needs to improve customer services on an ongoing basis. During the year, the Group launched a "quick repair during move-in period" scheme (which means for any quality problem raised by a property owner that can be fixed within 20 minutes, all the repair work will be completed in the presence of the property owner), through the information technology tools as well as efficient and transparent communication, interacted with property owners in a responsible manner for improving customer satisfaction and trust.

Corporate Social Responsibility (continued)

“Children’s Dreams, Children’s Art”art creation workshop – Book launch

“Children’s Dreams, Children’s Art” art creation workshop

Furthermore, the China Overseas Property Club (“COPC”) established by the Group in 2004 has branches in more than 30 cities with over 300,000 members in mainland China. Based on the service philosophy of “Wonderful Lifestyle, Extraordinary Life” (精彩生活，卓越人生), COPC connects and promotes China Overseas Property’s ties with all its property owners and various sectors of the society. COPC continues to expand the number of franchise merchants to provide property owners with value-added services such as purchase benefits and group purchase bazaars. A variety of activities including community cultural activities, charitable events, recreational and sports activities are organised to enhance the property owners’ living experience and sense of belonging to China Overseas communities. The products and services of China Overseas Property are improved and optimised on an ongoing basis by collecting feedback from customers and members. During the year, COPC organised a number of large-scale community activities such as “Children’s Dreams, Children’s Art” art creation workshop, China Overseas Roller Skating Contest, China Overseas Football Tournament, China Overseas Property Owner Sports Meeting and events celebrating various festivals such as Lantern Festival and Mid-Autumn Festival, all of which received enthusiastic participation from property owners.

STAFF DEVELOPMENT AND PERSONAL GROWTH

As at the end of 2016, the Group had a total of 5,500 employees. The Group has always regarded human resources as its most precious resources. Given the current business environment and development stage, the Group closely sticks to its medium to long-term development strategy and annual business objectives, by keeping an eye on “organisation” and “people”, the two core management elements in human resources, to seek breakthroughs by strengthening system and process build-up and ensuring incentives for staff development. Fundamental management in each of the human resources modules is consolidated on an ongoing basis to ensure the Company’s profitability could be enhanced continuously and achieve strategic objectives steadily. The Group adopts a “people-oriented” approach by seeking to create a harmonious, friendly workplace to enhance staff relations and sense of belonging. The Group continues to enhance the staff management system as well as providing staff with more comprehensive and appropriate on-the-job training to boost their work efficiency.

Corporate Social Responsibility (continued)

The Group is building a specialised staff development path based on business needs of different regions and professional companies that caters for both job qualification requirements and staff sustainability to improve the quality of staff training continuously. During the year, the Group conducted 1,446 training courses with a total attendance of 9,402 persons. Offices at different levels organised a series of training activities in line with their respective business situations, staff needs and team building. Under the training brand of "E-learning Academy of China Overseas Property", the subsidiaries organised various thematic and series training courses while constantly improving staff training programmes including professional certifications and key staff development.

To further enhance business continuity and sustainability, the Group establishes and maintains two human resources brands — "Sons of the Sea" and "Sea's Recruits" to expand recruitment channels continuously, with a focus on building a sound regional recruitment platform to establish an efficient staff replenishment mechanism. During the year, over 360 quality people were recruited for different business lines, thus making sure adequate and quality manpower is available for the Group's rapid business growth. With its outstanding image as an employer and recruitment brand, the Group received numerous honors and awards during the year, like the "China Best Employer Award 2016" (organised by www.zhaopin.com).

The Group continues to apply the "people-oriented" philosophy to its management and services, placing emphasis on building a simple and harmonious interpersonal relationship and corporate atmosphere. Through ongoing reviews and improvements in performance assessment, remuneration and welfare policies as well as the workplace environment, together with organising a great variety of social club activities, like interest groups for badminton, basketball, football, tennis, swimming and physical fitness, the satisfaction and sense of belonging among staff can be boosted as well as the staff turnover rate can be reduced.

The Group respects the social values of its employees. Positive incentives are offered to employees in terms of cultural, career and work rewards through the building of a corporate culture, continuous establishment of a growth platform and timely review of remuneration and benefits. While helping staff to manage their visions and make their career plans, the Group also organised various social charitable activities, in which both the Company and the staff can contribute to the society.

Sea's Recruits "Setting Sail" outdoor training

Sea's Recruits class of the year

Corporate Social Responsibility (continued)

ENVIRONMENTAL PROTECTION PHILOSOPHY

As an industrial leader in the PRC property sector, China Overseas Property has been leading and promoting the design and practice of green construction in China with the use of cutting-edge technology. The Group believes the life-cycle green concept should run through the process from the stage of project positioning, design and planning to all other stages in project development. By reducing energy and resource consumption with cost-effective energy-saving technologies, the Group takes the lead in raising the awareness of green construction across the society with its forward-looking project development practice.

Through an industrialisation process, China Overseas Property integrates standard designs with industrialised production in a bid to erect quality, efficient, energy-saving, smart and livable residential buildings so as to improve and enhance customers' quality of living. China Overseas Property is a pioneer in adopting the industrialisation process in high-end residential buildings by using prefabricated parts in super high-rise buildings in mainland China. Currently, China Overseas Property has established industrialised demo projects in various places, including Hong Kong, and Shenzhen, and is planning to promote such practice nationwide.

In 2016, the Group continued to apply the philosophy of green property throughout the project development process featuring green design, green procurement, green construction and green operation. As at the end of 2016, the Group received 47 awards in total, such as the awards for the China Green Building Label (GBL), the US Leadership in Energy and Environmental Design (LEED) and the British Building Research Establishment Environmental Assessment Method (BREEAM) in recognition of its practice and development of green property on an ongoing basis.

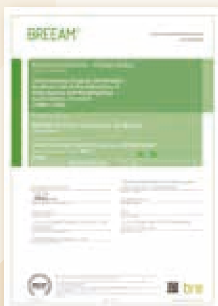
During the year, the Group was awarded the winner of "China Green Building Leadership Award" in recognition of its active role in the development of green construction in mainland China, highlighting its leading position and strong impact in the industry in terms of its practice and innovation in energy conservation and environmental protection, and considerably enhancing its brand awareness and reputation both within and outside the industry.

During the year, various projects of the Group were awarded green construction certificates. For example, land parcel H of the Laogucheng comprehensive reconstruction project in Beijing (北京老古城綜合改造項目) and land parcels 6021 and 6022 of China Overseas International Community in Yantai were granted the "Certificate of Green Building Design Label (Three-star)" and "Certificate of Green Building Design Label (Two-star)", respectively, by the Ministry of Housing and Urban-Rural Development of the PRC. This indicates that the Group has been pursuing the quality of green construction with unremitting efforts.

China Overseas Property plans to apply the industrialisation process primarily in the following aspects: firstly, the Group will continue to develop civil engineering projects featuring precast concrete structures with the use of an industrialised mode, in which precast parts are delivered and installed on the site; secondly, the Group will place emphasis on industrialising fine decorations such as the use of assembled cabinet, wardrobe, woodwork, and integrated bathroom accessories to reduce on-site wet operations and to ensure project quality, while vigorously boosting an upgrade in the upstream and downstream industries; thirdly, the Group will carry out a research on smart home and intelligent residential buildings combined with internet technology, and try to apply and improve this in actual projects. China Overseas Property will align with the PRC government to contribute its best in promoting industrialisation of housing and modern development for the PRC's construction industry.

China Green Building Label

LEED GOLD certified



BREEAM certified

China Green Building Leadership Award

Corporate Social Responsibility (continued)

Green operation and green office are also part of the Group's commitment that needs to spread across. In recent years, the Group has begun to monitor and collect greenhouse gas emissions from the business locations of its subsidiaries for gradually disclosing the Company's carbon footprint information. To this end, the subsidiaries are encouraged to organise charitable environmental protection activities related to domestic and overseas environmental festivals (e.g. China Arbor Day, World Environment Day, World Car Free Day and WWF Earth Hour) to raise public concern about climate change and to encourage public to participate in charitable events. The Group proactively integrates environmental responsibilities into its day-to-day business activities. The subsidiaries are encouraged to use video conferencing systems instead of making business trips, which improve communication efficiency, save time and reduce greenhouse gas emissions from transportation vehicles during these business trips. LED lights and other energy-saving lamps are introduced to the offices of the subsidiaries to reduce power consumption as the Group's commitment to resource conservation and environmental protection.

To put the concept of community eco life into action, the Group has launched various environmental protection measures in all communities, including separation of household wastes and recycling of used batteries. Moreover, the Group has been working closely with local governments and relevant organisations on volunteering to act as an exemplary enterprise for garbage separation at designated time and locations. Professional companies are also engaged to recover all used empty bottles such as cleansing detergent and medical bottles and packaging, thus eradicating such kinds of hazardous pollution sources.

COMMUNITY WELFARE

The development of an enterprise entails the support from the community. The Group is dedicated to contribute the community in the areas where it has a business presence by participating in the development and construction of community and to foster harmonious and sustainable community through a diversity of community activities. The Group supports youth education and charitable donation activities as part of its corporate social responsibility strategy and under its charity brand of (海無涯•愛無疆) ("The sea has no limit and love has no boundary").

As to youth education, the Group continued to contribute charitable donations to the construction of China Overseas Hope Schools in terms of youth education. Adhering to the Group philosophy of building "eternal and excellent products", all Hope Schools built by the Group are of high specification and high quality, thus the local Hope School typically offers the best hardware in its vicinity. 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.

Moreover, the Group's employees are mobilised to actively participate the public charity activities in local cities to carry out corporate social responsibility into action. For many years, the Group regularly participated in Walks for the Millions by the Hong Kong Community Chest, "Bridge to China Charitable Foundation" charity walk and other large-scale charity events. The Group also participated in the Earth Hour event during the year by lining up its Grade A office buildings and shopping centers in nine domestic cities across China to support the event in an environmental and charitable way as part of its continuous efforts to contribute to the community.

Taking part in China Arbor Day

Seahorse Charity Walk "China Overseas Junior" military summer camp

Corporate Social Responsibility (continued)

JANUARY

The Group continued to organise more than 100 colleagues and their family members to participate the "Walks for Millions (Hong Kong Island and Kowloon)".

FEBRUARY

The Group and Deloitte Touche Tohmatsu jointly held an event in Jinan with the theme of "You Can Make a Difference to Public Welfare – 2016 Charity Running Upward" in a bid to promote green, happy and healthy concepts.

MARCH

China Overseas School in Chongqing International Community and China Overseas Sanquan Hope School successfully held an exchange and mutual aid activity with the theme of "China Overseas Education in Action".

MAY

"Children's Dreams, Children's Art - Our Harmonious Space Design", a Mainland and Hong Kong Art Exchange Programme organised by China Overseas and Treats, was held during the period from May to July sequentially in Xi'an, Shenzhen, Shenyang, Shanghai, Qingdao, Harbin and Foshan.

JUNE

The Group held an education supporting activity with the theme of "Priceless Childhood – China Overseas Have Your Back" (「童年無敵中海挺你」) in Shenyang by organising a volunteer team consisting of its property owners and other warm-hearted people to visit the two primary schools in Qingyuan County of Fushun and donate teaching equipment to the school.

JULY

China Overseas Majin Hope School organised a charity activity "China Oversea Junior" (小小中海人), a military summer camp which combined charity education funding with COPC customer services in an innovative way.

AUGUST

"China Overseas Summer Camp for Mainland & HK Youth 2016" was held in Jinan, attracting a total of 92 teachers and students from the two places.

SEPTEMBER

The "Charity Education Funding Event" for China Overseas Yuanling Hope School was held grandly in Changsha.

Accolades & Awards 2016

Accolades & Awards 2016 (continued)

Award	Organiser
Overall Performance	
2016 China Real Estate Brand Value Research Achievements: — China Overseas Land and Investment Ltd. has a brand value of RMB51.402 billion, ranks first in the industry Awarded "Leading Brands of China Real Estate Companies" for 13 consecutive years — One Regent, Hangzhou: 2016 China Real Estate Residential Brand Value TOP10 — La Cite, Chongqing: 2016 China Real Estate High-end Project Brand Value TOP10	Enterprise Research Institute of Development Research Center of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy
2016 Hong Kong-listed Mainland Real Estate Companies: — No.1 Top 10 Economic Value Added — No.1 Top 10 Financial Stability — No.2 Top 10 Investment Value — No.2 in Top 10 Comprehensive Strength — 2016 Most Recognised Real Estate Companies by the Capital Market	Enterprise Research Institute of Development Research Center of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy
2016 China Top 100 Real Estate Developers: — No.1 in Top 10 Financial Stability — No.1 in Top 10 Profitability — No.4 in Top 10 Overall Performance — No.5 in Top 10 Sizable Scale	Enterprise Research Institute of Development Research Center of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy
2016 China Real Estate Brand Value: — No.1 in "2016 Best 10 of China Real Estate Developers Brand Value" China Overseas Land and Investment Ltd. has a brand value of RMB51.906 billion, ranks first in the industry — China Overseas Commercial Properties Co., Ltd.: No. 3 in "2016 Best 10 of China Commercial Real Estate Developers Brand Value"	China Real Estate Association, E-house China R&D Institute, China Real Estate Appraisal

Accolades & Awards 2016 (continued)

Award	Organiser
Overall Performance	
2016 China Real Estate Top 500: — No.1 in Operational Efficiency — No.5 in Top 10 Overall Performance — China Overseas Commercial Properties Co., Ltd.: No.1 in Top 5 Business Operation	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal
China Valuable Real Estate Awards: — Valuable Real Estate Enterprise of the Year — Corporate Citizen of the Year	*National Business Daily*
2016 No.1 in Top 50 Listed Real Estate Companies	*Capital Week*
2016 No. 1 in the 13th China Blue Chip Real Estate Developer (13 consecutive times)	*The Economic Observer*
2015 No.2 in Top 30 Listed China Real Estate Companies (Property G30) 2015 Outstanding China Real Estate Business Models TOP10 2015 100 Outstanding China Real Estate Companies TOP10	guandian.cn
Top 100 Hong Kong Listed Companies Selection — Top 100 Hong Kong Stocks	Finet Group, QQ.com
Listed Enterprise Awards 2016	*Bloomberg Businessweek/HK*
BCI Asia Awards 2016 — Top 10 Developers	BCI Asia
China Property Award of Supreme Excellence 2016	The Hong Kong Institute of Financial Analysts and Professional Commentators Limited

Accolades & Awards 2016 (continued)

Award	Organiser
Corporate Social Responsibility and others	
National Green Construction Pioneer Award (China Overseas Property Group Co., Ltd.)	China Green Building Council
2016 China Green Real Estate Top 50 Index	Biaozhun
Hang Seng Corporate Sustainability Index – Constituent Company	Hang Seng Indexes Company Limited
Dow Jones Sustainability Indices	RobecoSam AG
5 Year Plus Caring Company Logo	The Hong Kong Council of Social Service
CarbonCare ESG Label 2016	CarbonCare InnoLab
Newsweek Green Rankings	*Newsweek*
ARC International Awards 2015 — Gold Winner – Traditional Annual Report: Property Development: Residential — Bronze Winner – Interior Design: Real Estate Development/Svc: Residential Properties — Honors Winner – Traditional Annual Report: Real Estate Development/Svc: Residential Properties	MerComm, Inc
Asia Excellence 2016 — Asia's Best CSR — Best Investor Relations Company	*Corporate Governance Asia*
The Asset Corporate Awards 2016 — Best Investor Relations Team — Gold Winner • Governance • Social Responsibility • Environmental Responsibility • Investor Relations	*The Asset*

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 results 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 conferences arranged by investment banks, company visits and site visits to property projects. During the year, the Group participated 26 mainland China and overseas conferences held by investment banks, organised over 600 meetings and telephone communications, and 105 visits to project sites attended by over 325 investors.

With a gradual interconnection between the Hong Kong and mainland China stock market and bond market, the Group maintains regular communications with mainland investors, and further expands into mainland capital market.

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 2016

Months	Activities
January	BNP Paribas Asia Pacific Financials, Property & Logistics Conference Barclays Select Series: China Property Corporate Day 2016 Deutsche Bank Access China Conference 2016 UBS Greater China Conference
March-April	Announcement of 2015 annual results • Press conference • Analyst briefing • Post results road shows Credit Sussie 19th Asian Investment Conference UBS HK/China Property Conference 2016 DBS Vickers Pulse of Asia Conference HSBC 6th Annual Greater China Property Conference
May	CIMB China Property Corporate Day Morgan Stanley 2nd Annual China Summit
June	JP Morgan 12th Annual Global China Summit Deutsche Bank Asian Convertible Bond Conference CICC Conference Citi's Asia Pacific Property Conference
August-September	Announcement of 2016 interim results • Press conference • Analyst briefing • Post results road shows Nomura China Investor Forum 2016 CLSA Investors' Forum
October	2016 Industrial Securities Overseas Investment Conference
November	Citi's 11th China Investor Conference 2016 CICC Conference Bank of America Merrill Lynch 2016 China Conference Daiwa Investment Conference Hong Kong 2016 Morgan Stanley 15th Annual Asia Pacific Summit 2017 CITIC Capital Market Conference
December	Nomura 2016 China Property Corporate Day Huatai Securities 2017 Conference

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 and Risk Management Committee (formerly Audit Committee and renamed on 19 October 2016), 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 2016 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 2016, both the duties of Chairman and Chief Executive Officer was responsible by the same individual. 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. 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). To strengthen the governance team of the Company and enhance corporate governance standard, the Board has decided to appoint a new director to be the Chief Executive Officer from 1 January 2017.

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 (up to 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. During the year under review, the Company has convened the annual general meeting on 6 May 2016 (the "**Annual General Meeting**") and one general meeting on 20 July 2016 (the "**General Meeting**"). Two directors were unable to attend the relevant meetings due to commitment in the mainland China: Mr. Li Man Bun, Brian David was unable to attend the General Meeting and Mr. Zheng Xuexuan was unable to attend both the Annual General Meeting and the General Meeting. All other directors (including most of the independent non-executive directors) were present in the Annual General Meeting and General Meeting for exchanging views with the shareholders. Thus, the Company has not complied with part of the Code Provision A.6.7.

Corporate Governance Report (continued)

(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.

During the year, the number of Independent Non-Executive Directors representing one third of the Board, 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), 3.10A of the Listing Rules and Code Provision D.1.4 throughout 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 69 to 73 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 recognise 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 which has been effected from 1 April 2012, 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 2016.

	Ways of Training	
Name	Read Materials	Attend Seminars/Briefing
Executive Directors		
Mr. Xiao Xiao	Yes	–
Mr. Luo Liang	Yes	–
Mr. Nip Yun Wing	Yes	–
Non-Executive Director		
Mr. Chang Ying	–	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 from 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. During the year, both the duties of Chairman and Chief Executive Officer was responsible by the same person. From 1 January 2017, the duties of Chief Executive Officer was taken up by another executive director.

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 and risk management, remuneration, nomination and other governance committees, if invited; and scrutinising the Company'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 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.

Corporate Governance Report (continued)

(D) RISK MANAGEMENT AND INTERNAL CONTROL

The risk management system and internal control system of the Company are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Company to manage its risks across business operations.

The Company has established a sound risk management framework, the Board of Directors, the Audit and Risk Management Committee, Management Level Risk Management Committee, the Risk Management Taskforce and business line, together with the Intendance and Audit Department form the risk management system of the Company.

With an aim to safeguard the shareholders' investment and the Group's assets, the Board and its Audit and Risk Management Committee recognised that they are 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 system and internal control system; (3) overseeing management in the design, implementation and monitoring of the risk management system and internal control system; and (4) cause the management to provide a confirmation to the Board on the effectiveness of these systems.

Management Level Risk Management Committee arranges the Risk Management Taskforce and business line, to act in accordance with the formulated and implemented risk management system and the effective policies and procedures of identifying, evaluating and managing significant risks, to identify risks that would adversely affect the achievement of the Company's objectives at least on an annual basis. Management Level Risk Management Committee will assess and prioritise the identified risks according to a set of standard criteria and to establish risk mitigation plans to allow a reasonable deployment of resources by the Company against the principal risks.

In addition, the Company has established the Intendance and Audit Department, being responsible for the internal audit function, to assist the Board of Directors and the Audit and Risk Management Committee in on-going monitoring of the risk management system and internal control system of the Company. Deficiencies in the design and implementation of risk management and internal controls are identified, and recommendations are proposed for improvement. Significant internal control deficiencies, if identified, are reported to the Audit and Risk Management Committee and the Board of Directors on a timely basis. Remediation plans will be established and the responsible person be clarified, who will be notified of the control deficiencies and arrange rectification follow up be made to ensure that the situation is improved.

Risk management report and internal control report are submitted to the Audit and Risk Management Committee for review and eventually to the Board of Directors for approval at least once a year. The Board of Directors had performed annual review on the effectiveness of the Company and its subsidiaries' risk management system and internal control system (including financial, operational and compliance controls), including but not limited to the changes in the nature and extent of significant risks, the Group's ability to respond to changes in its business and the external environment; the scope and quality of management's on-going monitoring of risk management system and internal control system; the work of its internal audit function; the extent and frequency of communication of monitoring results to the Board of Directors; significant control failings incurred during the period or weaknesses identified and their related implications; the effectiveness of the Group's processes for financial reporting and Listing Rule compliance; and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function. The Board of Directors considers the Company's risk management system and internal control system are effective.

The risk management system and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and hence, the systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report (continued)

Procedures and internal controls for the handling and dissemination of inside information

The Company complies with requirements of Securities & Futures Ordinance ("**SFO**") and the Listing Rules. The Company discloses inside information to the public as soon as reasonably practicable after any inside information has come to its knowledge unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Company ensures the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact, to provide for equal, timely and effective access by the public to the inside information disclosed.

The Company has adopted the Inside Information Disclosure Policy, stipulating the practices and procedures, to ensure that the Board of Directors is able to make timely decisions on disclosure and to take of appropriate measures to preserve confidentiality of inside information until proper dissemination according to the relevant rules and regulations.

(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. Measures have been taken to ensure that all Directors are properly informed on matters to be discussed at each 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.

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, with the final version sent for their records after signature. 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 and Risk Management Committee (formerly Audit Committee and renamed on 19 October 2016), 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.

Corporate Governance Report (continued)

F(a) Audit and Risk Management Committee

The Audit and Risk Management 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 and Risk Management 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 and Risk Management Committee has duly discharged the above duties.

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.

Corporate Governance Report (continued)

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.

(G) ATTENDANCE AT BOARD MEETINGS, COMMITTEE MEETINGS AND SHAREHOLDERS' MEETINGS DURING THE YEAR 2016

	Number of meetings attended/ Number of meetings held during the term of office					
Name	Board	Audit and Risk Management Committee*	Remuneration Committee	Nomination Committee	Annual General Meeting	General Meeting
Executive Directors						
Mr. Hao Jian Min (resigned w.e.f. 15 November 2016)	13/14	N/A	N/A	N/A	1/1	1/1
Mr. Xiao Xiao	15/15	N/A	N/A	N/A	1/1	1/1
Mr. Chen Yi (resigned w.e.f. 19 January 2016)	0/0	N/A	N/A	N/A	0/0	0/0
Mr. Luo Liang	13/15	N/A	N/A	N/A	1/1	1/1
Mr. Nip Yun Wing	15/15	N/A	N/A	N/A	1/1	1/1
Non-Executive Directors						
Mr. Zheng Xuexuan (resigned w.e.f. 19 October 2016)	6/13	N/A	N/A	N/A	0/1	0/1
Mr. Chang Ying (appointed w.e.f. 15 September 2016)	5/5	N/A	N/A	N/A	0/0	0/0
Independent Non-Executive Directors						
Mr. Lam Kwong Siu	15/15	3/3	5/5	6/6	1/1	1/1
Dr. Fan Hsu Lai Tai, Rita	13/15	3/3	3/5	4/6	1/1	1/1
Mr. Li Man Bun, Brian David	15/15	3/3	5/5	6/6	1/1	0/1

* *The Audit Committee was renamed by the Board as the Audit and Risk Management Committee with effect from 19 October 2016 upon amending the terms of reference of the Audit Committee.*

(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, following specific enquiry by the Company, that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2016.

Corporate Governance Report (continued)

(I) AUDITORS' REMUNERATION

The Audit and Risk Management Committee is responsible for overseeing the independence of its external auditors including the provision of non-audit services. None of the Audit and Risk Management 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$12,150,000
	(ii)	for other services, including accounting advisory, reports relating to continuing connected transactions, compliance of financial undertakings and preliminary announcement	HK$928,000
	(iii)	for services in respect of the assets acquisition from CITIC Limited and its related companies	HK$6,457,000
(b)	Amount paid to other auditors for services relating to the assets acquisition from CITIC Limited and its related companies, the disposal of subsidiaries to China Overseas Grand Oceans Group Limited and for reports relating to the issuance of notes payable		HK$5,025,000

(J) SENIOR MANAGEMENT

The list of senior management and their respective interests in shares of the Company as at 31 December 2016 are set out below:

Name of senior management	Number of shares held	Percentage of issued share capital#
Mr. Zhang Yi	1,095	0.000%
Mr. Qi Dapeng	–	0.000%
Mr. Guo Yong	200,000	0.002%
Mr. Kan Hongbo	696,800	0.006%
Mr. Ouyang Guoxin	–	0.000%
Ms. Sheng Ye	–	0.000%
Ms. 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%
Mr. Xu Feng	–	0.000%
Total	897,895	0.008%

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2016 (10,956,201,535 ordinary shares).

Biographical details of above senior management are set out on page 74 of the report.

Corporate Governance Report (continued)

(K) RELATIONS WITH SHAREHOLDERS

K(a) Substantial Shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2016 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 of Hong Kong Limited (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 request(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 2016.

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 47, 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 2016 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 141 and 142 respectively.

An interim dividend of HK35 cents per share was paid on 5 October 2016. The board of directors recommends the payment of a final dividend of HK42 cents per share (2015: HK41 cents per share) to shareholders whose names appear on the Register of Members of the Company on 20 June 2017. Together with the interim dividend of HK35 cents per share (2015: HK20 cents per share), dividends for the year will amount to a total of HK77 cents per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 7 July 2017.

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 146 and note 46 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 243 and 244.

MAJOR PROPERTIES

Details of the major property development and property investment of the Group at 31 December 2016 are set out on pages 50, 51, 56, 57 and 59.

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$7,722,671,000 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.

Report of Directors (continued)

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 and other borrowings, notes payable and interest capitalised (including capitalisation of exchange differences) are set out in notes 34, 35 and 10 respectively to the financial statements.

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	(resigned w.e.f. 15 November 2016)
Mr. Xiao Xiao	
Mr. Yan Jianguo	(appointed w.e.f. 1 January 2017)
Mr. Chen Yi	(resigned w.e.f. 19 January 2016)
Mr. Luo Liang	
Mr. Nip Yun Wing	

Non-Executive Directors

Mr. Zheng Xuexuan	(resigned w.e.f. 19 October 2016)
Mr. Chang Ying	(appointed w.e.f. 15 September 2016)

Independent Non-Executive Directors

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

In accordance with Article 105(1) and Article 96 of the Company's Articles of Association, Mr. Yan Jianguo, Mr. Nip Yun Wing, Mr. Chang Ying, Mr. Lam Kwong Siu and Dr. Fan Hsu Lai Tai, Rita 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. Xiao Xiao, Mr. Yan Jianguo and Mr. Nip Yun Wing's fixed remuneration been changed to HK$5,200,000, HK$4,900,000 and HK$3,360,000 per annum respectively due to the increase of his monthly salary from 1 February, 2017. 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 69 to 74 of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2016, 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)*
Dr. Fan Hsu Lai Tai, Rita	24,000	0.0002%
Mr. Li Man Bun, Brian David	5,460,000	0.0498%

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 *(Note 6)*	% of shares in issue *(Notes 3, 4 and 5)*
— China State Construction Engineering Corporation Limited		
Mr. Luo Liang	210,000	0.001%
— China Overseas Property Holdings Limited		
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 2016 (i.e. 10,956,201,535 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 2016 (i.e. 4,488,139,261 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 2016 (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 2016 (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 2016 (i.e. 2,282,239,894 shares).

6. Mr. Luo Liang acquired 210,000 shares in China State Construction Engineering Corporation Limited at RMB4.866 per share on 29 December 2016 in accordance with the A-shares Restricted Stock Incentive Plan (Phase II) of China State Construction Engineering Corporation Limited as set out in Note 33 to the financial statement.

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 0.063% and 0.079% 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 2016, 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 (resigned w.e.f. 15 November 2016), Xiao Xiao, Yan Jianguo (appointed w.e.f. 1 January 2017), Chen Yi (resigned w.e.f. 19 January 2016), Zheng Xuexuan (resigned w.e.f. 19 October 2016) and Luo Liang 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 2016, 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	–	–	4.65%	–	–	Beneficial owner
China Overseas Holdings Limited ("**COHL**") *(Note 2)*	5,523,986,255	280,124,096 *(Note 4)*	–	50.42%	2.56%	–	Beneficial owner
	509,136,928	–	–	4.65%	–	–	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("**CSCECL**") *(Note 3)*	6,033,123,183	280,124,096 *(Note 4)*	–	55.07%	2.56%	–	Interest of controlled corporation
China State Construction Engineering Corporation ("**CSCEC**") *(Note 3)*	6,033,123,183	280,124,096 *(Note 4)*	–	55.07%	2.56%	–	Interest of controlled corporation
Complete Noble Investments Limited ("**Complete Noble**")	1,095,620,154	–	–	10.00%	–	–	Beneficial owner
Affluent East Investments Limited ("**Affluent East**") *(Note 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Limited ("**CITIC**") *(Note 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation

Report of Directors (continued)

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)*	
CITIC Glory Limited ("**CITIC Glory**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Polaris Limited ("**CITIC Polaris**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Group Corporation ("**CITIC Group**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2016 (i.e. 10,956,201,535 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. Complete Noble is a direct wholly owned subsidiary of Affluent East, which in turn is a direct wholly owned subsidiary of CITIC.

6. More than 50% of CITIC is held by CITIC Glory and CITIC Polaris, both of which are direct wholly owned subsidiaries of CITIC Group, in aggregate. Accordingly, CITIC is an indirect non-wholly owned subsidiary of CITIC Group and Affluent East, CITIC, CITIC Glory, CITIC Polaris and CITIC Group are all deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which Complete Noble is or is taken to be interested.

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2016, 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 112 to 133.

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.

Report of Directors (continued)

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. During the year, China State Construction Engineering Corporation, the Company's intermediate holding company, has arranged some of the directors and core employees of the Company to participate in A-shares Restricted Stock Incentive Plan (Phase II) of China State Construction Engineering Corporation Limited, information of such scheme are set out in Note 33 to the financial statement.

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$107,319,000. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

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$10,128,000.

AUDIT AND RISK MANAGEMENT COMMITTEE

The principal duties of the Audit and Risk Management Committee are the review of financial reporting requirements and system, risk management and internal control systems of the Group. The members of the Audit and Risk Management Committee have been satisfied with the Company's financial reporting disclosures and system, risk management and internal control procedures.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 90 to 102.

Report of Directors (continued)

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.

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.

Report of Directors (continued)

AUDITOR

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.

On behalf of the Board

Xiao Xiao
Chairman

Hong Kong, 22 March 2017

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 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 (including building design, construction piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators) 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.

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 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.

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 period from 1 January 2016 to 30 June 2016, the total contract sum awarded to the CSCECL Group under the Master CSCECL Group Engagement Agreement was approximately RMB663.014 million (1 January 2015 to 31 December 2015: approximately RMB2,455.8 million) which did not exceed the cap of RMB2,500 million.

As the Master CSCECL Group Engagement Agreement was expired on 30 June 2016, new agreement has been entered into by the same parties to the Master CSCECL Group Engagement Agreement on 16 May 2016, particulars as per paragraph 5 below.

(2) ***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 million
For the period between 1 January 2014 and 31 December 2014	RMB130 million
For the period between 1 January 2015 and 31 December 2015	RMB130 million
For the period between 1 January 2016 and 31 August 2016	RMB130 million

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.

Connected, Continuing Connected and Related Party Transactions (continued)

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.

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 (2015: nil) which did not exceed the cap of RMB130 million.

(3) ***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 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 ("**Master CSC Group Engagement Agreement**");

Particulars of the aforementioned agreement are as follows:

Name of Agreement	Parties	Announcement Date	Period	Annual Cap should not exceed
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.

Connected, Continuing Connected and Related Party Transactions (continued)

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 Master CSC Group Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the 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 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 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.

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 Master CSC Group Engagement Agreement (i.e. the Cap) are more than 0.1% but less than 5%, the transactions contemplated under the 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 Master CSC Group Engagement Agreement, nor is required to abstain from voting on the board resolution approving the transactions contemplated under the Master CSC Group Engagement Agreement.

During the year, the total contract sum awarded to the CSC Group under the Master CSC Group Engagement Agreement was approximately HK$909.549 million (2015: approximately HK$2,891.7 million), which did not exceed the cap of HK$3,000 million.

(4) ***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: 2669) ("**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.

Connected, Continuing Connected and Related Party Transactions (continued)

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**").

A supplemental agreement was entered into with COPL on 30 June 2016 to reduce the annual cap of the Master Property Management Service Agreement as the property management services provided by COPL Group in relation to China Overseas Building have become continuing connected transactions between COPL and CSC following the completion of the sale of China Overseas Building by the Group to CSC, particulars as per paragraph 7 below.

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$402.363 million
			1 January 2017 to 31 December 2017	HK$457.541 million
			1 January 2018 and 31 May 2018	HK$207.459 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;

Connected, Continuing Connected and Related Party Transactions (continued)

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

(iv) pre-delivery services; and

(v) consultancy service.

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.

Connected, Continuing Connected and Related Party Transactions (continued)

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.

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.

Connected, Continuing Connected and Related Party Transactions (continued)

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.

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) 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 year, the aggregate of transactions under the Master Property Management Services Agreement was approximately HK$269.275 million (1 June 2015 to 31 December 2015: approximately HK$227.3 million), which did not exceed the cap of HK$402.363 million.

During the year, the aggregate of transactions under the Master Engineering Services Agreement was approximately HK$14.885 million (1 June 2015 to 31 December 2015: approximately HK$22.8 million), which did not exceed the cap of HK$29.8 million.

Connected, Continuing Connected and Related Party Transactions (continued)

(5) ***New Master CSCECL Group Engagement Agreement (dated 16 May 2016)***

The following agreement was entered into with CSCECL on 16 May 2016 to replace the previous agreement in relation to continuing connected transactions which has been expired on 30 June 2016:

— 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 ("**New Master CSCECL 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 CSCECL Group Engagement Agreement	The Company and CSCECL	16 May 2016	1 July 2016 to 31 December 2016	RMB3,000 million
			1 January 2017 to 31 December 2017	RMB6,000 million
			1 January 2018 to 31 December 2018	RMB6,000 million
			1 January 2019 to 30 June 2019	RMB3,000 million

CSCECL is a contractor mainly engaged 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 New Master CSCECL Group Engagement Agreement provides the Group with the option to engage the CSCECL Group (subject to successful tender) as contractor to provide the Construction Related Services (including building design, construction piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators) 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 New Master CSCECL Group Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio as defined under the Listing Rules 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 New Master CSCECL Group Engagement Agreement, i.e. the Cap, exceeds 0.1% but is less than 5%, the continuing connected transactions are subject to the annual review, reporting and announcement, but not independent shareholders' approval, requirements.

Connected, Continuing Connected and Related Party Transactions (continued)

Pricing basis of the tenders granted by the Group

In conducting the Group's invitations for tenders, review of tenders and tender selection, the participation of the members of the CSCECL Group in the tender process shall not in any way affect the Group's tender procedures, contract terms and selection principles. The members of the CSCECL Group shall be treated in the same way as independent third parties.

The price and terms of the tenders awarded by the Group to the CSCECL Group are subject to the standard and systematic tender procedure maintained by the Group, which applies to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tenders awarded by the Group to CSCECL Group are no more favourable than those awarded to independent third parties.

1. *Invitations for Tenders*

   (i) The Group has established its own list of approved contractors. All contractors invited to submit tenders for the Group's projects are selected from contractors on the list of approved contractors. Contractors accepted on the list of approved contractors include contractors with or without prior working history with the Group. Contractors with working history with the Group will be subject to suitability assessment following completion of each project of the Group. A contractor can be retained in the list of approved contractors if its assessment after the project completion is satisfactory. The Group will remove a contractor from the list of approved contractors if it fails to meet the minimum criteria for retention. If a contractor has no prior working history with the Group, the contractor will be subject to qualification evaluation and review to ascertain if it is suitable for inclusion in the list of approved contractors.

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

   (iii) Selection of contractors to be invited for tenders: the suitability of a contractor is assessed with general reference to selection criteria including but not limited to the contractor's qualification grade, financial ability, technical capability, co-operation record, project management ability, quality of work and business management capability. Depending on the estimated value of the relevant sub-construction contract, the person in charge and line managers of the regional office or the district office shall conduct the vetting process to ascertain certain contractors to be invited to tender, following which the invitation for tender letters will be issued.

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 a reasonable and minimum 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 contractor'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.

During the period from 1 July 2016 to 31 December 2016, the total contract sum awarded to the CSCECL Group under the New Master CSCECL Group Engagement Agreement was approximately RMB1,089.409 million which did not exceed the cap of RMB3,000 million.

Connected, Continuing Connected and Related Party Transactions (continued)

(6) ***JV Agreement (dated 24 March 2016)***

On 24 March 2016, the Company, CSC, Trillion Vantage Investments Limited (the "**JV Company**") and Asia Metro Investment Limited (the "**Project Company**") (both being indirect wholly-owned subsidiaries of the Company) entered into an agreement ("**JV Agreement**"), pursuant to which CSC agreed to procure Oceanic Empire Holdings Limited (the "**CSC Nominee**") to subscribe for, and the JV Company agreed to allot and issue, two (2) shares in the share capital of the JV Company ("**JV Shares**") at a subscription price of US$1 per JV Share. Following the completion of the subscription of two (2) JV Shares by the CSC Nominee ("**Subscription**") in accordance with the terms of the JV Agreement ("**Completion**"), the JV Company will be owned as to 80% and 20% by the Company (through Windy Summer Limited (the "**COLI Nominee**")) and CSC (through the CSC Nominee), respectively. The JV Agreement also sets out matters in relation to the management of the JV Company and the Project Company.

Information about the JV Company, the Project Company and the Land

The JV Company is a company incorporated in British Virgin Islands. As at 24 March 2016 (being the date of the joint announcement), the JV Company has eight (8) JV Shares in issue held by the COLI Nominee, which is in turn indirectly wholly-owned by the Company. The JV Company is principally engaged in the investment holding of 100% shareholding interests in the Project Company.

The Project Company is a company incorporated in Hong Kong and is wholly-owned by the JV Company. The Project Company is principally engaged in property development and owns the Land ("**Land**").

The Land is situated at Tai Po Town Lot No. 221, Shan Tong Road, Lai Chi Shan, Tai Po, New Territories, Hong Kong and has a site area of approximately 37,696 square metres and a gross floor area of not less than 64,260 square metres and not exceeding 107,100 square metres. The Land is planned for private residential purposes.

Based on current construction and development plans, the estimated total investment amount for the construction and development of residential premises on the Land is approximately HK$10,000 million, of which HK$2,130 million has already been paid as consideration for the acquisition of the Land.

As at 31 December 2015, the unaudited consolidated net liability of the JV Company, and the Project Company (the "**JV Group**") was approximately HK$46,400. The unaudited consolidated net loss of the JV Group for each of the financial years ended 31 December 2014 and 31 December 2015 are HK$10,800 and HK$12,800, respectively.

Unless otherwise unanimously agreed between the shareholder(s) of the JV Company ("**JV Shareholder(s)**"), the sole business of the JV Company shall be the investment holding of 100% shareholding interests in the Project Company, and the principal business of the Project Company shall be property development and ownership of the Land.

Advancement of loan to the Project Company

As at 24 March 2016 (being the date of the joint announcement), Chung Hoi Finance Limited ("**COLI Finance**"), a member of the COLI Group, has advanced an inter-company loan in the principal amount of HK$2,130 million (the "**Inter-company Loan**") to the Project Company for the payment of the consideration for the acquisition of the Land. The Inter-company Loan is repayable on demand.

At Completion, CSC shall pay, or procure a member of the CSC Group to pay, to COLI Finance at the direction of the Project Company a sum equivalent to 20% of the Inter-company Loan plus interest accrued thereon up to the date on which Completion takes place, as partial settlement of the Inter-company Loan plus interest accrued thereon.

Connected, Continuing Connected and Related Party Transactions (continued)

As a result, at Completion, the Project Company shall become indebted to the COLI Group and the CSC Group in the proportion of 80:20, which corresponds to the Company's and CSC's respective effective interests in the Project Company. The Company, CSC, the JV Company and the Project Company shall further agree upon the interest rate applicable to such outstanding amounts as from the date of Completion.

Future funding

Working capital requirements of the JV Company or the Project Company in relation to the development of the Land shall be financed by the COLI Group and the CSC Group in proportion to the Company's and CSC's respective effective interest in the JV Company.

Management

The board of directors of the JV Company and the Project Company will consist of seven (7) directors, five (5) of whom will be appointed by the Company, and the remaining two (2) directors will be appointed by CSC.

A committee will be formed by the Project Company for overseeing, supervising and monitoring the development, construction as well as sales and marketing in relation to the Land (the "**Project Management Committee**"). The Project Management Committee will consist of eight (8) members, five (5) of whom will be appointed by the Company, and the remaining three (3) members will be appointed by CSC. The quorum of a meeting of the Project Management Committee shall be two (2) members.

The parties agreed that COLI Group will be responsible for the development plus sales and marketing of the Land, and all other matters in relation to the Land shall be considered and approved by the Project Management Committee. All related expenses incurred for development, construction as well as sales and marketing of the Land shall be subject to the approval by the Project Management Committee. Subject to the foregoing, the board of directors of the JV Company and the Project Company shall be responsible for making decisions relating to the business of the JV Company and the Project Company.

All matters to be determined by the board of directors of the JV Company and the Project Company shall be by majority decision.

Possible engagement of CSC Group

Consistent with the Company's existing practice, the Project Company shall select the main contractor for the development of the Land by way of open tender. The parties acknowledge that the Project Company may invite members of the CSC Group to tender for the Project Company's construction works in respect of the Land. In the event that members of the CSC Group are awarded the construction contract, such contract shall be on normal commercial terms and in compliance with the terms of the Master CSC Group Engagement Agreement (see paragraph (3) above) and the requirements of the Listing Rules.

Financial Impact on the Company

Following Completion, the JV Company shall be owned as to 80% and 20% by the Company (through the COLI Nominee) and CSC (through the CSC Nominee), respectively. The JV Company shall be accounted for as a subsidiary by the Company and as an associate by CSC.

The Subscription results in a deemed disposal by the Company of 20% equity interest in the JV Company. Since the subscription price of US$2 is payable by CSC (or the CSC Nominee) directly to the JV Company, the COLI Group does not receive any proceeds for the disposal. The consideration payable by CSC in respect of the 20% equity interest in the JV Company is determined at cost. It is expected that the COLI Group will record an immaterial gain of HK$9,300 from the deemed disposal at Completion, which is estimated based on 20% of the unaudited consolidated net liability of the JV Group. There is no original acquisition cost for the 20% equity interest in the JV Company as such shares are to be newly issued for the purpose of the JV Agreement.

Connected, Continuing Connected and Related Party Transactions (continued)

Reasons and benefits of the transaction

The COLI Group is principally engaged in property development and investment 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, whereas the CSC Group has extensive experience in building construction. Taking into account certain degree of complexity of the construction work for developing the Land, the Directors consider that the joint venture arrangement would allow the COLI Group to leverage on the substantial experience of the CSC Group in building construction and site formation. Through the joint management of the Land by the Project Management Committee, directors of both the Company and CSC believe that more effective cost and quality control in respect of the construction of the Land can be achieved, thereby bringing synergy between the COLI Group and the CSC 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 its Shareholders as a whole.

Listing Rules Implications

As at 24 March 2016 (being the date of the joint announcement), COHL is a controlling shareholder of both COLI 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. Accordingly, the Company is a connected person of CSC and CSC is a connected person of the Company. Since certain of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated for both the Company and CSC in respect of the entering into of the JV Agreement and the transactions contemplated thereunder (including the Subscription) exceed 0.1% but all are less than 5%, the entering into of the JV Agreement and the transactions contemplated thereunder (including the Subscription) are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, following Completion, the Company's interests in the JV Company will be reduced from 100% to 80%. As such, the entering into of the JV Agreement and the transactions contemplated thereunder (including the Subscription) constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. As all applicable percentage ratios are less than 5%, the entering into of the JV Agreement and the transactions contemplated thereunder (including the Subscription) does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and is not subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As none of the Directors or the CSC directors has a material interest in the entering into of the JV Agreement and the transactions contemplated thereunder (including the Subscription), no Director or CSC director is required to abstain from voting on the board resolution(s) approving the entering into of the JV Agreement and the transactions contemplated thereunder (including the Subscription).

Completion has taken place on 8 April 2016.

(7) ***The COB Disposal Agreement (dated 11 May 2016)***
The HT Disposal Agreement (dated 11 May 2016)

The COB Disposal Agreement (as defined below) and the HT Disposal Agreement (as defined below) were entered into with relevant parties on 11 May 2016 in relation to the disposal by the Group of property companies holding properties at (i) China Overseas Building at No. 139 Hennessy Road and No. 138 Lockhart Road, Hong Kong ("**COB**"); and (ii) Hoover Towers (Tower V) at No. 8 St. Francis Yard, Hong Kong ("**HT**") respectively. Major terms and conditions (including condition precedent) of these two Agreements have been disclosed in the announcement of the Company dated 11 May 2016 and are summarised below for reference:

Connected, Continuing Connected and Related Party Transactions (continued)

The COB Disposal Agreement (dated 11 May 2016)

Parties

(a) the Company, as guarantor of Great Rises Holdings Limited ("**Great Rises**") (a wholly-owned subsidiary of the Company);

(b) Great Rises, as seller of the entire issued share capital of Precious Deluxe Global Limited ("**COB Company**") (the "**COB Sale Share**") and the loan owing by COB Company as at the completion date of the COB Disposal Agreement, to Great Rises (the "**COB Sale Loan**");

(c) CSC, as guarantor of Total Joy Global Limited ("**CSC SPV**") (a wholly-owned subsidiary of CSC); and

(d) CSC SPV, as purchaser of the COB Sale Share and the COB Sale Loan.

Structure of COB Group and Assets to be disposed of

As at the date of the announcement, COB is held by On Success Development Limited ("**COB Subsidiary 2**"), which is a wholly owned subsidiary of Advocate Properties Limited ("**COB Subsidiary 1**"), and which in turn is a wholly owned subsidiary of COB Company. COB Company, COB Subsidiary 1 and COB Subsidiary 2 are collectively known as "**COB Group**".

The COB Sale Share, being 1 ordinary share of US$1.00 each in the issued share capital of COB Company, to be disposed representing the entire issued share capital of COB Company.

Consideration

The consideration for the disposal of the COB Sale Share and the assignment of the COB Sale Loan (the "**COB Disposal**") shall be HK$4,810,526,473 (subject to adjustment).

The initial consideration for the COB Disposal of HK$4,810,526,473 (the "**Initial COB Consideration**") was determined after arm's length negotiations between Great Rises and CSC SPV with reference to, among other things, the adjusted net liabilities of the COB Group as estimated in accordance with the unaudited consolidated management accounts of COB Group as at 30 April 2016 (the "**Estimated COB Net Liabilities**"), the amount of the COB Sale Loan as at 30 April 2016 and COB's market valuation as appraised by the Company's independent property valuer.

The Directors consider that the Initial COB Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment of Consideration for the COB Disposal

The consideration for the COB Disposal shall be paid in cash according to the following schedule:

(a) within five business days following the date of the COB Disposal Agreement, CSC SPV shall pay to Great Rises (or the Company) an amount equal to the sum of HK$240,526,324, being 5% of the Initial COB Consideration (the "**Deposit**"). The Deposit shall be returned to CSC SPV in full (without any interest or cost) if the COB Disposal Agreement is terminated as a result of, among others, the conditions precedent to the COB Completion (as defined below) ("**COB Conditions**") not having been satisfied and/or waived on or before 23 June 2016 or such later date as Great Rises and CSC SPV may agree in writing ("**COB Long Stop Date**");

Connected, Continuing Connected and Related Party Transactions (continued)

(b) at completion of the COB Disposal in accordance with the terms and conditions of the COB Disposal Agreement ("**COB Completion**"), CSC SPV shall pay to Great Rises (or the Company) an amount equal to the sum of HK$2,164,736,913, being 45% of the Initial COB Consideration; and

(c) within five business days after agreement or determination of the completion accounts of the COB Group:

(i) if the net liabilities (adjusted to exclude the amount of investment properties, the outstanding liability of the COB Sale Loan and the amount of deferred taxation) of the COB Group determined according to the completion accounts of the COB Group has decreased as compared with the Estimated COB Net Liabilities, CSC SPV shall pay such difference to Great Rises (or the Company); or

(ii) if the net liabilities (adjusted to exclude the amount of investment properties, the outstanding liability of the COB Sale Loan and the amount of deferred taxation) of the COB Group determined according to the completion accounts of the COB Group has increased as compared with the Estimated COB Net Liabilities, Great Rises (or the Company) shall pay such difference to CSC SPV;

(d) within 3 calendar months following the 5th business day immediately following the day on which all the COB Conditions have been satisfied and/or waived ("**COB Completion Date**"), CSC SPV shall pay to Great Rises (or the Company) an amount equal to the sum of HK$2,405,263,236, being 50% of the Initial COB Consideration (the "**Deferred Payment**").

Interest at the rate of 3.4% per annum shall be accrued on the Deferred Payment from the COB Completion Date until the actual date of payment if CSC SPV pays the Deferred Payment to Great Rises (or the Company) after 1 calendar month but within 3 calendar months following the COB Completion Date. No interest will be accrued if the Deferred Payment is paid within 1 calendar month following the COB Completion Date.

Any party defaulting in the payment above (including the Deferred Payment and any other sum due and payable under the COB Disposal Agreement) shall pay interest at the rate of 3% per annum above the prime rate of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong Dollars on the outstanding sum from the due date of payment until the actual date of payment.

Information on COB Group and COB

COB Company is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Great Rises as at the date of the announcement. The principal business activity of COB Company is investment holding.

COB Subsidiary 1 is a company incorporated in Hong Kong engaged in investment holding and is a wholly-owned subsidiary of COB Company.

COB Subsidiary 2 is a company incorporated in Hong Kong engaged in property investment and is a wholly-owned subsidiary of COB Subsidiary 1.

COB is held by COB Subsidiary 2.

The market value of COB as at 30 April 2016 appraised by the Company's independent property valuer is HK$4,650 million.

The unaudited consolidated net assets of COB Company as at 30 April 2016 (based on the unaudited consolidated accounts of COB Company) were approximately HK$2,370 million. The unaudited consolidated net profits (before taxation) of COB Subsidiary 1 for the year ended 31 December 2014 and 31 December 2015 were approximately HK$83 million and HK$440 million respectively. The unaudited consolidated net profits (after taxation) of COB Subsidiary 1 for the year ended 31 December 2014 and 31 December 2015 were approximately HK$75 million and HK$436 million respectively. The net profits (before and after taxation) of COB Company are unavailable as COB Company was incorporated on 16 November 2015.

Connected, Continuing Connected and Related Party Transactions (continued)

Upon COB Completion, COB Company will cease to be a subsidiary of the Company and the accounts of COB Company will no longer be consolidated in the financial statements of the Company thereafter.

Based on the Initial COB Consideration (without taking into account the amount attributable to the COB Sale Loan) and Estimated COB Net Liabilities, the Company estimates the net potential gain on the COB Disposal to be approximately HK$1,481 million.

Use of Proceeds

The sale proceeds are intended for general corporate purposes.

The HT Disposal Agreement (dated 11 May 2016)

Parties

(a) the Company, as guarantor of China Overseas Property Limited ("**CO Property**") (a wholly-owned subsidiary of the Company);

(b) CO Property, as seller of the entire issued share capital of Treasure Trinity Limited ("**HT Company**") (the "**HT Sale Share**") and the loan owing by HT Company as at 18 May 2016 or such other date as CO Property and COHL SPV (as defined below) may agree, to CO Property (the "**HT Sale Loan**");

(c) COHL, as guarantor of Viewtime Limited ("**COHL SPV**") (a wholly-owned subsidiary of COHL); and

(d) COHL SPV, as purchaser of the HT Sale Share and the HT Sale Loan.

Structure of HT Group and Assets to be disposed of

As at the date of the announcement, HT is held by China Overseas Property Investment Limited ("**HT Subsidiary**"), which is a wholly owned subsidiary of HT Company. HT Company and HT Subsidiary are collectively known as "**HT Group**".

The HT Sale Share, being 1 ordinary share of US$1.00 each in the issued share capital of HT Company, to be disposed representing the entire issued share capital of HT Company.

Consideration

The consideration for the disposal of the HT Sale Share and the assignment of the HT Sale Loan (the "**HT Disposal**") shall be HK$507,132,673 (subject to adjustment).

The initial consideration for the HT Disposal of HK$507,132,673 (the "**Initial HT Consideration**") was determined after arm's length negotiations between CO Property and COHL SPV with reference to, among other things, the adjusted net asset value of the HT Group as estimated in accordance with the unaudited consolidated management accounts of HT Group as at 30 April 2016 (the "**Estimated HT NAV**"), the amount of the HT Sale Loan as at 30 April 2016 and HT's market valuation as appraised by the Company's independent property valuer.

The Directors consider that the Initial HT Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Connected, Continuing Connected and Related Party Transactions (continued)

Payment of Consideration for the HT Disposal

The consideration for the HT Disposal shall be paid in cash according to the following schedule:

(a) at completion of the HT Disposal in accordance with the terms and conditions of the HT Disposal Agreement, COHL SPV shall pay to CO Property (or the Company) the Initial HT Consideration; and

(b) within five business days after agreement or determination of the completion accounts of the HT Group:

   (i) if the net asset value (adjusted to exclude the value of investment properties, the outstanding liability of the HT Sale Loan and the amount of deferred taxation) of the HT Group determined according to the completion accounts of the HT Group has increased as compared with the Estimated HT NAV, COHL SPV shall pay such difference to CO Property; or

   (ii) if the net asset value (adjusted to exclude the value of investment properties, the outstanding liability of the HT Sale Loan and the amount of deferred taxation) of the HT Group determined according to the completion accounts of the HT Group has decreased as compared with the Estimated HT NAV, CO Property shall pay such difference to COHL SPV.

Any party defaulting in the payment above (and any other sum due and payable under HT Disposal Agreement) shall pay interest at the rate of 3% per annum above the prime rate of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong Dollars on the outstanding sum from the due date of payment until the actual date of payment.

Information on HT Group and HT

HT Company is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CO Property as at the date of the announcement. The principal business activity of HT Company is investment holding.

HT is held by HT Subsidiary, a company incorporated in Hong Kong, engaged in property investment, and a wholly-owned subsidiary of HT Company.

The market value of HT as at 30 April 2016 appraised by the Company's independent property valuer is HK$500 million.

The unaudited consolidated net assets of HT Company as at 30 April 2016 (based on the unaudited consolidated accounts of HT Company) were approximately HK$271 million. The unaudited consolidated net profits (both before and after taxation) of HT Company (adjusted to exclude profits attributable to certain assets disposed by the HT Group in January 2016) for the year ended 31 December 2014 and 31 December 2015 were approximately HK$1 million and HK$2 million respectively.

Upon the completion, HT Company will cease to be a subsidiary of the Company and the accounts of HT Company will no longer be consolidated in the financial statements of the Company thereafter.

Based on the Initial HT Consideration (without taking into account the amount attributable to the HT Sale Loan) and the Estimated HT NAV, the Company estimates the net potential gain on the HT Disposal to be approximately HK$50 million.

Connected, Continuing Connected and Related Party Transactions (continued)

Use of Proceeds

The sale proceeds are intended for general corporate purposes.

Reasons for and benefits of the COB Disposal and the HT Disposal

The Directors consider that the COB Disposal and the HT Disposal provide a good opportunity for the Group to dispose and realise its investments in non-core assets. The COB Disposal and the HT Disposal will at the same time reduce the amount of continuing connected transactions between the Group and its connected persons and hence help relieve the compliance burden on the part of the Group.

The Directors (including the independent non-executive Directors) consider that the COB Disposal Agreement, the HT Disposal Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of the business of the Group, on normal commercial terms after arm's length negotiations between the parties, and the terms of the COB Disposal Agreement, the HT Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on the Group, CSC Group and COHL Group

The Group is principally engaged in the business of property development and investment and other operations. Each of the Company and Great Rises is an investment holding company. CO Property is engaged in investment holding and the provisions of real estate consultancy and agency services.

CSC Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business. Each of CSC and CSC SPV is an investment holding company.

COHL and its subsidiaries (excluding the Group, CSC Group and subsidiary(ies) listed on any stock exchange) from time to time ("**COHL Group**") has been engaging in investments holding and property development. Each of COHL and COHL SPV is an investment holding company.

Listing Rules Implications

COHL is a controlling shareholder of both the Company and CSC, and hence each of COHL, COHL SPV (a wholly-owned subsidiary of COHL), CSC and CSC SPV (a wholly-owned subsidiary of CSC) is a connected person of the Company. Accordingly, the HT Disposal and the COB Disposal constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the HT Disposal and the COB Disposal, in aggregate, exceed 0.1% but are less than 5%, the HT Disposal and the COB Disposal are subject to the reporting and announcement requirements but 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 COB Disposal Agreement nor the HT Disposal Agreement, nor is required to abstain from voting on the board resolution approving the transactions contemplated under the COB Disposal Agreement or the HT Disposal Agreement.

Others

Both transactions have been completed and the relevant consideration has been received according to the schedule.

Connected, Continuing Connected and Related Party Transactions (continued)

(8) ***CITIC Loans (Since 15 September 2016)***

Pursuant to the sale and purchase agreement dated 14 March 2016 entered into among the Company, CITIC Pacific Limited, CITIC Corporation Limited and CITIC Limited in respect of acquisition of property portfolio from CITIC Limited and its related companies (the "**CITIC Group**") (the "**Sale and Purchase Agreement**"), the Group has to repay the outstanding loans owing to CITIC Group.

As CITIC Limited became a substantial shareholder of the Company upon completion of the Sale and Purchase Agreement on 15 September 2016 ("**Completion**"), the outstanding loans owing to CITIC Group constitute continuing connected transactions of the Company since then.

Each of the outstanding loans owing to CITIC Group as at date of Completion is either:-

(i) conducted on normal commercial terms or better and not secured by assets of the CITIC Target Group (i.e. companies acquired from CITIC Group in pursuance of the Sale and Purchase Agreement) and therefore is exempted under Rule 14A.90 of the Listing Rules; or

(ii) for a fixed period with fixed terms, which have maturing periods ranging from date of completion to April 2020 and interest rates ranging from nil to 8.515% per annum (subject to adjustment in the relevant loan agreements) (the "**CITIC Loans**"), in which case the Company shall comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules with respect to such CITIC Loans pursuant to Rule 14A.60 of the Listing Rules.

Principal amount of CITIC Loans repaid after Completion and upto 31 December 2016 was in aggregate amount of RMB23,518,068,218, US$98,540,000 and HK$881,000,000. These amounts (together with interests repaid) are repaid in accordance with the terms of the relevant agreements.

As at 31 December 2016, the principal amount of outstanding CITIC Loans was in an aggregate amount of RMB1,044,806,162, having interest rates ranging from 3.92% to 4.28% per annum (subject to adjustment in the relevant loan agreements).

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.

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;

Connected, Continuing Connected and Related Party Transactions (continued)

b. 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

c. with respect to the aggregate amount of each of the continuing connected transactions listed in paragraph (1), (3), (4), (5), 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)

OPINION

What we have audited

The consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 141 to 242, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Acquisition of property portfolio from CITIC Group;
- Valuation of investment properties; and
- Recoverability of property portfolio held by the Group and its unlisted associates and joint ventures.

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Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Acquisition of property portfolio from CITIC Group *Refer to note 3(a) to the consolidated financial statements* During the year, the Group acquired the entire issued share capital of Tuxiana Corp. and CITIC Real Estate Group Company Limited and their respective subsidiaries (the "CITIC Acquired Group") from certain subsidiaries of CITIC Limited, which held residential-focused property development projects in the People's Republic of China (the "PRC"), for an aggregate consideration of RMB31.0 billion (equivalent to HK$37.1 billion), comprising 1,095,620,154 shares of the Company at RMB24.9 billion (equivalent to HK$29.7 billion) and property portfolio at a fair value of RMB6.1 billion (equivalent to HK$7.4 billion) (the "Transaction"). As the Group and the CITIC Acquired Group were under common control of the State Council of the PRC ("State Council"), the Transaction has been accounted for in the consolidated financial statements of the Group as a business combination under common control. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2016, 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 CITIC Acquired Group had been combined with the Group from the earliest date when the CITIC Acquired Group first came under the control of the State Council. In view of the financial significance of the CITIC Acquired Group to the Group's consolidated financial statements, significant audit effort is required on the accounting treatment of the Transaction.	Our procedures in relation to the Transaction included: • Participating in various meetings and discussions with external parties, e.g. the financial adviser and the legal counsel, and Group management to understand the details of the Transaction; • Reading the sale and purchase agreements and other transaction documents entered into by the Group to assess the accounting implications of the Transaction to the consolidated financial statements; and • Checking the shareholding structures of the Group and the CITIC Acquired Group to confirm they were under common control of the State Council. Based on the audit procedures performed, we found that the basis of applying merger accounting for the Transaction is supported by available evidence. Our procedures in relation to the application of merger accounting for the Transaction included: • Comparing the accounting policies of the CITIC Acquired Group against the Group and assessing the appropriateness of the nature and amount of adjustments made; • Agreeing the carrying amounts of the income, expenses, assets and liabilities of the CITIC Acquired Group as at 31 December 2015 and for the year then ended, which have been reflected in the restated comparative figures of the Group's consolidated financial statements, to the audited combined financial statements of the CITIC Acquired Group for the year ended 31 December 2015 and obtaining independent audit evidences on material opening balances of the CITIC Acquired Group as we considered necessary; and • Reviewing and assessing the accuracy and completeness of the consolidation adjustments made. Based on the audit procedures performed, we found management's recording and accounting of the Transaction were appropriate and supportable in light of the available evidence.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter

Valuation of investment properties

Refer to note 16 to the consolidated financial statements

The Group's investment properties amounted to HK67,093 million as at 31 December 2016 and a fair value gain of HK$7,723 million was accounted for under "gain arising from changes in fair value of investment properties" in the consolidated income statement.

Management engaged independent valuers to determine the valuation of the Group's investment properties. There are significant judgments and estimates involved in the valuation which mainly include:

- Completed investment properties: The valuation was arrived at using investment approach by considering the capitalised income derived from the existing tenancies and the reversionary potential, including reversionary yields and prevailing market rents, of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

- Investment properties under construction: The valuation was arrived at using residual method by making reference to estimated selling prices as available in the relevant market. The estimated cost to complete the development and estimated developer's profit as at the date of valuation were also taken into account.

The existence of significant judgments and estimates of the assumptions involved in the property valuations warrants specific audit focus and attention on this area.

How our audit addressed the Key Audit Matter

Our procedures in relation to the valuation of investment properties included:

- Assessing the competence, capability and independence of the valuers and discussing the scope of their work;

- Assessing the methodologies used by the valuers and the appropriateness of the key assumptions based on our knowledge of the property industry, research evidence of reversionary yields, prevailing market rents, estimated selling prices and comparable market transactions for similar properties and comparing the estimated developer's profit to historical records, focusing in particular on properties where the growth in capital values was significantly higher or lower than our expectations based on available market indices; and

- Testing, on a sample basis, the data used in the valuation of properties, including rental rates from existing tenancies and estimated cost to complete, by agreeing them to the underlying agreements with the tenants and contractors respectively.

Based on the audit procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supportable in light of available and comparable internal and other market evidence.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of property portfolio held by the Group and its unlisted associates and joint ventures *Refer to notes 4(b) and 4(c) to the consolidated financial statements*	
As at 31 December 2016, the total carrying values of the Group's stock of properties and net investments in unlisted associates and joint ventures (representing interests in and amounts due from these companies) undertaking property development projects were HK$283,561 million. Management assesses the recoverability of property portfolio held by the Group's subsidiaries, unlisted associates and joint ventures based on estimates of the net realisable values of the underlying stock of properties, either held by the Group's subsidiaries, unlisted associates or joint ventures. This involves estimation of, inter-alia, construction costs to be incurred to complete the properties under development based on existing plans and a forecast of future sales based on current market price of properties of comparable locations and conditions. Management concluded that the current level of provision for impairment for the stock of properties held by the Group is appropriate, and no provision for impairment is necessary for the Group's net investments in unlisted associates and joint ventures. If the estimated net realisable values of the underlying stock of properties are significantly different from their carrying values as a result of changes in market conditions and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result. Accordingly, the existence of significant estimation uncertainty warrants specific audit focus and attention on this area.	Our procedures in relation to management's recoverability assessment included: **For the stock of properties held by the Group** • Testing the design and operating effectiveness of key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic review, sources of impairment assessment data and calculation of impairment provisions; • Understanding management's assessment, with reference to the appropriate supporting evidence, on the impairment of stock of properties which had relatively lower gross profit margins, within the general property development and sales cycle; and • For stock of properties which had relatively lower gross profit margins, assessing the reasonableness of key assumptions adopted by management. For the forecast of future sales, we checked, on a sample basis, contracted sales price of the underlying properties and recent market transaction prices of properties with comparable locations and conditions, where applicable. For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs to supporting documentations, e.g. construction contracts and other documentations.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
	For the stock of properties held by the Group's significant unlisted associates and joint ventures • With reference to the appropriate supporting evidence, understanding the impairment assessment of net investments in unlisted associates and joint ventures performed by the Group's management, with their principal focus on stock of properties held by the unlisted associates and joint ventures which had relatively lower gross profit margins; and • For companies with stock of properties which had relatively lower gross profit margins, assessing the reasonableness of key assumptions adopted by the Group's management. For the forecast of future sales, we checked, on a sample basis, recent market transaction prices of properties with comparable locations and conditions, where applicable. For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs to supporting documentations, or when necessary, based on our knowledge of the property industry and research evidence. We found the key assumptions in the recoverability assessment were supportable in light of available and comparable internal and other market evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chi Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Revenue	7	**164,068,528**	169,561,797
Business tax		**(5,351,547)**	(9,222,727)
Net revenue	7	**158,716,981**	160,339,070
Direct operating costs, exclude business tax above		**(113,073,759)**	(114,219,078)
		45,643,222	46,119,992
Other income and gains, net	9	**1,789,484**	1,841,155
Gain arising from changes in fair value of investment properties	16	**7,722,671**	7,514,317
Gain on disposal of investment properties		**1,028,432**	91,559
Gain on disposal of subsidiaries	39(b)	**10,175,939**	817,120
Impairment losses in respect of goodwill	40(a)	**(1,903,104)**	(44,496)
Gain on acquisition of subsidiaries	40(b)	**–**	164,140
Selling and distribution costs		**(3,371,597)**	(2,843,479)
Administrative expenses		**(3,179,742)**	(3,106,718)
Operating profit		**57,905,305**	50,553,590
Net gain on distribution in specie	38	**–**	2,512,965
Share of profits of			
Associates		**476,682**	408,425
Joint ventures		**775,770**	650,333
Finance costs	10	**(2,055,956)**	(2,757,312)
Profit before tax		**57,101,801**	51,368,001
Income tax expenses	11	**(18,711,025)**	(15,953,805)
Profit for the year	12	**38,390,776**	35,414,196
Attributable to:			
Owners of the Company		**37,020,638**	34,643,211
Non-controlling interests		**1,370,138**	770,985
		38,390,776	35,414,196
		HK$	*HK$*
EARNINGS PER SHARE	14		
Basic and diluted		**3.64**	3.75

The notes on pages 150 to 242 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	NOTE	2016 HK$'000	2015 HK$'000 (Restated)
Profit for the year		**38,390,776**	35,414,196
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on translation of the Company and its subsidiaries		**(14,092,869)**	(7,782,310)
Exchange differences on translation of joint ventures		**(975,668)**	(654,904)
Surplus on revaluation of properties transferred from self-used properties to investment properties, net of tax	*17*	**–**	278,732
		(15,068,537)	(8,158,482)
Items that may be reclassified to profit or loss			
Exchange differences on translation of associates		**(877,252)**	(708,215)
Changes in fair value of investments in syndicated property project companies and available-for-sale investments		**–**	19,497
		(877,252)	(688,718)
Other comprehensive income for the year		**(15,945,789)**	(8,847,200)
Total comprehensive income for the year		**22,444,987**	26,566,996
Total comprehensive income attributable to:			
Owners of the Company		**21,384,969**	26,141,339
Non-controlling interests		**1,060,018**	425,657
		22,444,987	26,566,996

The notes on pages 150 to 242 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Non-current Assets			
Investment properties	16	**67,093,181**	65,467,036
Deposits for acquisition of an investment property		**–**	166,555
Property, plant and equipment	17	**3,886,507**	4,128,129
Prepaid lease payments for land	18	**567,873**	1,483,302
Interests in associates	19	**5,512,064**	6,025,552
Interests in joint ventures	20	**10,526,289**	11,883,616
Investments in syndicated property project companies	21	**24,212**	24,233
Available-for-sale investments	21	**147,211**	2,310,662
Amounts due from associates	22	**2,728,181**	4,998,094
Amounts due from joint ventures	22	**2,058,017**	2,693,588
Amounts due from CITIC Group	28	**–**	4,277,386
Goodwill	37	**64,525**	64,525
Deferred tax assets	36	**3,767,912**	3,622,190
		96,375,972	107,144,868
Current Assets			
Inventories	23	**88,711**	89,854
Stock of properties	24	**261,689,777**	297,508,396
Land development expenditure	25	**7,631,262**	4,733,878
Prepaid lease payments for land	18	**18,397**	4,022
Trade and other receivables	26	**11,341,431**	14,476,304
Deposits and prepayments		**6,897,193**	8,409,329
Deposits for land use rights for property development		**5,166,601**	4,492,733
Amounts due from fellow subsidiaries	27	**214,442**	220,423
Amounts due from associates	27	**11,801,798**	1,981,706
Amounts due from joint ventures	27	**5,512,861**	5,354,075
Amounts due from non-controlling shareholders	27	**817,806**	893,645
Amounts due from CITIC Group	28	**839,050**	6,883,287
Available-for-sale investments	21	**–**	1,814,275
Tax prepaid		**5,732,244**	4,514,170
Bank balances and cash	29	**157,161,732**	122,800,963
		474,913,305	474,177,060
Assets held for sale	39(a)	**–**	926,165
		474,913,305	475,103,225

Consolidated Statement of Financial Position (continued)

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Current Liabilities			
Trade and other payables	30	**44,815,201**	48,022,460
Pre-sales deposits		**82,255,805**	68,127,804
Rental and other deposits		**2,887,399**	3,626,664
Amounts due to fellow subsidiaries	31	**678,296**	618,156
Amounts due to associates	31	**1,400,177**	1,237,073
Amounts due to joint ventures	31	**2,158,084**	1,600,834
Amounts due to non-controlling shareholders	32	**2,969,183**	2,846,680
Amounts due to CITIC Group	28	**265,845**	10,278,837
Tax liabilities		**21,888,194**	19,216,611
Bank and other borrowings – due within one year	34	**34,471,679**	29,583,899
Notes payable – due within one year	35	**5,814,611**	–
		199,604,474	185,159,018
Net Current Assets		**275,308,831**	289,944,207
Total Assets Less Current Liabilities		**371,684,803**	397,089,075
Capital and Reserves			
Share capital	33	**90,420,438**	62,434,116
Reserves		**131,828,004**	147,130,165
Equity attributable to owners of the Company		**222,248,442**	209,564,281
Non-controlling interests		**5,174,917**	6,015,246
Total Equity		**227,423,359**	215,579,527
Non-current Liabilities			
Bank and other borrowings – due after one year	34	**61,773,449**	100,510,978
Notes payable – due after one year	35	**71,760,801**	70,949,813
Amounts due to non-controlling shareholders	32	**869,939**	1,238,436
Deferred tax liabilities	36	**9,857,255**	8,810,321
		144,261,444	181,509,548
		371,684,803	397,089,075

The financial statements on pages 141 to 242 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf by:

Xiao Xiao	**Yan Jianguo**
DIRECTOR	*DIRECTOR*

The notes on pages 150 to 242 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company									
	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*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2015, as previously reported	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
Acquisition of the CITIC Acquired Group *(Note 3(a))*	–	–	(14,527)	206,400	11,997,933	244,097	5,311,494	17,745,397	886,743	18,632,140
At 1 January 2015, as restated	19,634,031	22,950	6,302	10,551,603	12,784,531	3,608,477	104,807,986	151,415,880	5,773,063	157,188,943
Profit for the year	–	–	–	–	–	–	34,643,211	34,643,211	770,985	35,414,196
Exchange differences on translation of the Company and its subsidiaries	–	–	–	(7,436,749)	–	–	–	(7,436,749)	(345,561)	(7,782,310)
Exchange differences on translation of joint ventures	–	–	–	(654,904)	–	–	–	(654,904)	–	(654,904)
Exchange differences on translation of associates	–	–	–	(708,215)	–	–	–	(708,215)	–	(708,215)
Surplus on revaluation of properties transferred from self-used properties to investment properties, net of tax	–	278,499	–	–	–	–	–	278,499	233	278,732
Changes in fair value of investments in syndicated property project companies and available-for-sale investments	–	–	19,497	–	–	–	–	19,497	–	19,497
Total comprehensive income for the year	–	278,499	19,497	(8,799,868)	–	–	34,643,211	26,141,339	425,657	26,566,996
2014 final dividend paid	–	–	–	–	–	–	(3,451,203)	(3,451,203)	–	(3,451,203)
2015 interim dividend paid	–	–	–	–	–	–	(1,972,116)	(1,972,116)	–	(1,972,116)
Issue of shares *(Note 33)*	42,800,085	–	–	–	–	–	–	42,800,085	–	42,800,085
Acquisition of subsidiaries from a third party	–	–	–	–	–	–	–	–	280,268	280,268
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	178,522	178,522	(106,879)	71,643
Contributions from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	2,997	2,997
Acquisition of a subsidiary under common control by the CITIC Acquired Group	–	–	–	–	(505,216)	–	–	(505,216)	–	(505,216)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	(359,860)	(359,860)
Dividends to original shareholders of subsidiaries under the CITIC Acquired Group	–	–	–	–	–	–	(14,688)	(14,688)	–	(14,688)
Contributions from the carved-out entities of the CITIC Acquired Group	–	–	–	–	507,015	–	(136,918)	370,097	–	370,097
Acquisition of subsidiaries from China State Construction Engineering Corporation Limited ("CSCECL")	–	–	–	–	(2,308,770)	–	–	(2,308,770)	–	(2,308,770)
Distribution in specie *(Note 38)*	–	–	–	–	–	–	(3,089,649)	(3,089,649)	–	(3,089,649)
Transfer to PRC statutory reserve	–	–	–	–	–	860,128	(860,128)	–	–	–
At 31 December 2015, as restated	62,434,116	301,449	25,799	1,751,735	10,477,560	4,468,605	130,105,017	209,564,281	6,015,246	215,579,527

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2016

	Attributable to owners of the Company									
	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	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016, as previously reported	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
Acquisition of the CITIC Acquired Group *(Note 3(a))*	–	278,499	1,610	(1,186,720)	11,999,732	244,097	6,669,538	18,006,756	959,826	18,966,582
At 1 January 2016, as restated	62,434,116	301,449	25,799	1,751,735	10,477,560	4,468,605	130,105,017	209,564,281	6,015,246	215,579,527
Profit for the year	–	–	–	–	–	–	37,020,638	37,020,638	1,370,138	38,390,776
Exchange differences on translation of the Company and its subsidiaries	–	–	–	(13,782,749)	–	–	–	(13,782,749)	(310,120)	(14,092,869)
Exchange differences on translation of joint ventures	–	–	–	(975,668)	–	–	–	(975,668)	–	(975,668)
Exchange differences on translation of associates	–	–	–	(877,252)	–	–	–	(877,252)	–	(877,252)
Total comprehensive income for the year	–	–	–	(15,635,669)	–	–	37,020,638	21,384,969	1,060,018	22,444,987
2015 final dividend paid	–	–	–	–	–	–	(4,042,838)	(4,042,838)	–	(4,042,838)
2016 interim dividend paid	–	–	–	–	–	–	(3,834,671)	(3,834,671)	–	(3,834,671)
Issue of shares *(Note 33)*	27,986,322	–	–	–	–	–	–	27,986,322	–	27,986,322
Acquisition of a subsidiary from a third party	–	–	–	–	–	–	–	–	29,268	29,268
Reorganisation of the CITIC Acquired Group prior to the completion of the CITIC Assets Acquisition	–	–	–	–	(1,544,226)	–	–	(1,544,226)	–	(1,544,226)
Disposals of subsidiaries	–	–	–	399,215	96,564	–	(399,215)	96,564	(204,936)	(108,372)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	(593,728)	(593,728)
Return of capital to non-controlling shareholders	–	–	–	–	–	–	–	–	(1,130,951)	(1,130,951)
Dividends to original shareholders of subsidiaries under the CITIC Acquired Group	–	–	–	–	–	–	(4,226,309)	(4,226,309)	–	(4,226,309)
Acquisition of the CITIC Acquired Group *(Note 3(a))*	–	–	–	–	(23,135,650)	–	–	(23,135,650)	–	(23,135,650)
Transfer to PRC statutory reserve	–	–	–	–	–	3,128,549	(3,128,549)	–	–	–
At 31 December 2016	90,420,438	301,449	25,799	(13,484,719)	(14,105,752)	7,597,154	151,494,073	222,248,442	5,174,917	227,423,359

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 ("PRC") regulations.

The notes on pages 150 to 242 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**57,101,801**	51,368,001
Adjustments for:		
Share of profits of associates	**(476,682)**	(408,425)
Share of profits of joint ventures	**(775,770)**	(650,333)
Finance costs	**2,055,956**	2,757,312
Depreciation and amortisation	**356,970**	339,420
Interest income	**(2,256,253)**	(2,055,290)
Net gain on distribution in specie	**–**	(2,512,965)
Gain arising from changes in fair value of investment properties	**(7,722,671)**	(7,514,317)
Gain on disposal of investment properties	**(1,028,432)**	(91,559)
Gain on disposal of subsidiaries	**(10,175,939)**	(817,120)
Gain on acquisition of subsidiaries	**–**	(164,140)
Impairment losses in respect of goodwill	**1,903,104**	44,496
Gain on disposal of property, plant and equipment	**(143,481)**	(13,846)
Impairment of available-for-sale investments	**–**	13,619
Dividend income from available-for-sale investments	**–**	(497,281)
Gain on disposal of joint ventures	**(13,316)**	–
Effect of foreign exchange rate changes	**1,272,458**	1,160,554
Operating cash flows before movements in working capital	**40,097,745**	40,958,126
(Increase)/decrease in inventories	**(4,794)**	18,477
Decrease in stock of properties	**20,202,085**	28,914,343
Increase in land development expenditure	**(1,299,996)**	(1,877,589)
Decrease/(increase) in trade and other receivables, deposits and prepayments	**3,311,928**	(2,251,768)
Increase in deposits for land use rights for property development	**(4,573,118)**	(1,147,606)
Decrease/(increase) in restricted bank deposits	**392,828**	(586,882)
Increase/(decrease) in trade and other payables, pre-sales deposits, and rental and other deposits	**17,450,874**	(4,038,268)
Cash generated from operations	**75,577,552**	59,988,833
Income taxes paid	**(15,037,661)**	(17,239,987)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**60,539,891**	42,748,846

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**2,186,795**	2,170,860
Dividends received from joint ventures		**1,007,782**	613,590
Decrease in pledged bank deposits		**–**	63,612
Purchase of property, plant and equipment		**(895,172)**	(256,246)
Additions of investment properties		**(2,377,911)**	(2,306,526)
Deposit for acquisition of an investment property		**–**	(166,555)
Increase in amounts due from fellow subsidiaries		**(8,582)**	–
Advances to CITIC Group		**–**	(4,731,532)
Repayment from CITIC Group		**6,313,600**	3,944,830
Repayment from associates		**655,501**	17,366
Acquisition of subsidiaries	*40*	**(74,412)**	(3,047,288)
Acquisition of associates and joint ventures		**–**	(1,225,082)
Advances to joint ventures		**(1,597,467)**	(1,362,608)
Repayment from joint ventures		**1,542,547**	1,511,029
Repayment from non-controlling shareholders		**17,751**	35,970
Capital contribution to a joint venture		**–**	(5,995)
Capital distribution from joint ventures		**96,164**	760,733
Dividends received from associates		**44,292**	8,667
Purchase of available-for-sale investments		**–**	(2,723,996)
Net proceeds on disposal of available-for-sale investments		**1,798,816**	1,255,912
Net proceeds on disposal of property, plant and equipment		**335,093**	96,535
Net proceeds on disposal of investment properties		**–**	680,190
Net proceeds on disposal of subsidiaries	*39*	**6,055,744**	1,514,582
Net proceeds on disposal of associates and joint ventures		**13,316**	14,314
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**15,113,857**	(3,137,638)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
FINANCING ACTIVITIES			
Interest paid		**(8,730,480)**	(9,978,104)
Other finance costs paid		**(62,218)**	(430,355)
Dividends paid to owners of the Company		**(7,877,509)**	(5,423,319)
Net cash distributed in respect of distribution in specie	38	**–**	(1,339,723)
Dividends paid to non-controlling shareholders		**(315,420)**	(359,860)
Net contributions from original shareholders of subsidiaries under the CITIC Acquired Group		**435,567**	–
New bank and other borrowings raised		**37,030,059**	70,001,783
Repayment of bank and other borrowings		**(60,259,438)**	(58,947,286)
Issue of shares		**–**	42,800,085
Issue of notes		**8,206,722**	22,764,190
Acquisition of subsidiaries from CSCECL		**–**	(2,308,770)
Repayment to holding companies		**–**	(40,576,725)
Advances from a fellow subsidiary		**433,360**	–
Repayment to fellow subsidiaries		**(371,587)**	–
Contributions from non-controlling shareholders		**–**	2,997
Return of capital to non-controlling shareholders		**(1,130,951)**	(87,591)
Advances from associates		**376,276**	–
Repayment to associates		**(118,343)**	(122,441)
Advances from joint ventures		**934,432**	267,876
Repayment to joint ventures		**(271,416)**	(540,797)
Advances from non-controlling shareholders		**38,458**	–
Repayment to non-controlling shareholders		**(711,934)**	(24,760)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(32,394,422)**	15,697,200
NET INCREASE IN CASH AND CASH EQUIVALENTS		**43,259,326**	55,308,408
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**120,047,895**	69,667,161
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(8,323,835)**	(4,927,674)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**154,983,386**	120,047,895
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**157,161,732**	122,800,963
Less: restricted bank deposits	29	**(2,178,346)**	(2,753,068)
		154,983,386	120,047,895

The notes on pages 150 to 242 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

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 statements are 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, and treasury operations.

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

In the current year, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to the Group:

Amendments to Hong Kong Accounting Standard ("HKAS") 1	*Disclosure Initiative*
Annual Improvements Project	*Annual Improvements 2012–2014 Cycle*

The application of the above amendments to HKFRSs has had no material impact on the Group's results and financial position.

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

Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]

1 *Effective for annual periods beginning on or after 1 January 2017*
2 *Effective for annual periods beginning on or after 1 January 2018*
3 *Effective for annual periods beginning on or after 1 January 2019*
4 *The mandatory effective date will be determined*

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Management is currently assessing the effects of adoption of HKFRS 15 on the Group's financial statements and anticipated that the timing of the recognition of revenue is likely to be affected. At this stage, the Group is not able to estimate the impact of the adoption of HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

The Group has already commenced an assessment of the impact of the other 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 HKFRSs 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 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.

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.

Application of business combination under common control

Acquisition of the CITIC Acquired Group

On 15 September 2016, the Company (as the purchaser and the guarantor) completed 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 Acquired Group") (the "CITIC Sale Shares") and the outstanding loans and advances owing by the CITIC Acquired Group to CITIC Limited and its subsidiaries ("CITIC Group") (the "CITIC Shareholders Loans") from CITIC Pacific Limited and CITIC Corporation Limited (both wholly-owned subsidiaries of CITIC Limited, as the "CITIC Sellers") (the "CITIC Assets Acquisition"). The final consideration of the CITIC Assets Acquisition is HK$37,080,453,000 (equivalent to RMB31,000,000,000) which is determined based on the valuation results of the CITIC Sale Shares and the CITIC Shareholders Loans as at 30 April 2016. The final consideration has been settled by (i) allotment and issue of 1,095,620,154 shares of the Company to CITIC Limited at the issue price of HK$27.13 per share for a total value of HK$29,724,175,000 (equivalent to RMB24,850,000,000) (the "Share Consideration"); and (ii) the sale of a portfolio of properties to the CITIC Sellers at a total value of HK$7,356,278,000 (equivalent to RMB6,150,000,000) (the "Assets Consideration").

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(a) Basis of Preparation *(continued)*

Application of business combination under common control *(continued)*

Acquisition of the CITIC Acquired Group (continued)

The consideration of the CITIC Assets Acquisition recorded in the consolidated financial statements represents the fair values of the Share Consideration and the Assets Consideration at the date of completion of the CITIC Assets Acquisition, which are analysed as follows:

	HK$'000
Share Consideration (issued at fair value at the date of completion of HK$25.55 per share) *(Note 33)*	27,993,095
Assets Consideration	7,356,278
	35,349,373
Satisfying the acquisition of:	
– The CITIC Sale Shares	23,135,650
– The CITIC Shareholders Loans	12,213,723
	35,349,373

Upon completion of the CITIC Assets Acquisition, the CITIC Acquired Group became the wholly-owned subsidiaries of the Company, and the CITIC Shareholders Loans have been assigned to the Group. The CITIC Acquired Group holds the residential-focused property development projects which are located in more than 20 cities across major economic regions in the PRC.

As the Company and CITIC Limited are state-owned entities and are under common control of the State Council of the PRC, the CITIC Assets Acquisition was accounted for as a business combination under common control. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2016, 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 CITIC Acquired Group had been combined with the Group from the earliest date when the CITIC Acquired Group first came under the control of the State Council of the PRC.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(a) Basis of Preparation *(continued)*

Application of business combination under common control *(continued)*

Acquisition of the CITIC Acquired Group (continued)

The following is a reconciliation of the effect arising from the business combination under common control of the CITIC Acquired Group on the consolidated income statement and the consolidated statement of financial position.

Consolidated income statement

For the year ended 31 December 2015

	The Group (before business combination under common control) *HK$'000*	Effect of business combination under common control of the CITIC Acquired Group *HK$'000*	Consolidated *HK$'000*
Revenue	148,074,399	21,487,398	169,561,797
Business tax	(7,943,748)	(1,278,979)	(9,222,727)
Net revenue	140,130,651	20,208,419	160,339,070
Direct operating costs, exclude business tax above	(97,819,070)	(16,400,008)	(114,219,078)
	42,311,581	3,808,411	46,119,992
Profit before tax	48,823,124	2,544,877	51,368,001
Income tax expenses	(14,772,254)	(1,181,551)	(15,953,805)
Profit for the year	34,050,870	1,363,326	35,414,196
Attributable to:			
Owners of the Company	33,312,083	1,331,128	34,643,211
Non-controlling interests	738,787	32,198	770,985
	34,050,870	1,363,326	35,414,196

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(a) Basis of Preparation *(continued)*

Application of business combination under common control *(continued)*
Acquisition of the CITIC Acquired Group (continued)

Consolidated income statement
For the year ended 31 December 2016

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the CITIC Acquired Group HK$'000	Consolidated HK$'000
Revenue	134,416,964	29,651,564	164,068,528
Business tax	(4,225,113)	(1,126,434)	(5,351,547)
Net revenue	130,191,851	28,525,130	158,716,981
Direct operating costs, exclude business tax above	(90,950,397)	(22,123,362)	(113,073,759)
	39,241,454	6,401,768	45,643,222
Profit before tax	54,630,094	2,471,707	57,101,801
Income tax expenses	(15,767,357)	(2,943,668)	(18,711,025)
Profit for the year	38,862,737	(471,961)	38,390,776
Attributable to:			
Owners of the Company	38,006,621	(985,983)	37,020,638
Non-controlling interests	856,116	514,022	1,370,138
	38,862,737	(471,961)	38,390,776

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(a) Basis of Preparation *(continued)*

Application of business combination under common control *(continued)*
Acquisition of the CITIC Acquired Group (continued)

Consolidated statement of financial position
At 31 December 2015

	The Group (before business combination under common control) *HK$'000*	Effect of business combination under common control of the CITIC Acquired Group *HK$'000*	Adjustments *HK$'000* *(Note)*	Consolidated *HK$'000*
Stock of properties	203,182,608	94,325,788	–	297,508,396
Bank balances and cash	102,445,644	20,355,319	–	122,800,963
Bank and other borrowings	(49,255,875)	(80,839,002)	–	(130,094,877)
Other liabilities less assets	(59,759,432)	(14,875,523)	–	(74,634,955)
Total assets less liabilities	196,612,945	18,966,582	–	215,579,527
Share capital	62,434,116	8,636,479	(8,636,479)	62,434,116
Merger reserve	(1,522,172)	3,363,253	8,636,479	10,477,560
Other reserves	7,210,102	(662,514)	–	6,547,588
Retained profits	123,435,479	6,669,538	–	130,105,017
Equity attributable to owners of the Company	191,557,525	18,006,756	–	209,564,281
Non-controlling interests	5,055,420	959,826	–	6,015,246
Total equity	196,612,945	18,966,582	–	215,579,527

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(a) Basis of Preparation *(continued)*

Application of business combination under common control *(continued)*
Acquisition of the CITIC Acquired Group (continued)

Consolidated statement of financial position
At 31 December 2016

	The Group (before business combination under common control) HK$'000	Effect of business combination under common control of the CITIC Acquired Group HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Investment in the CITIC Acquired Group	23,135,650	–	(23,135,650)	–
Stock of properties	179,632,650	82,057,127	–	261,689,777
Bank balances and cash	132,745,581	24,416,151	–	157,161,732
Bank and other borrowings	(40,946,119)	(55,299,009)	–	(96,245,128)
Other liabilities less assets	(55,088,518)	(40,094,504)	–	(95,183,022)
Total assets less liabilities	239,479,244	11,079,765	(23,135,650)	227,423,359
Share capital	90,420,438	12,779,816	(12,779,816)	90,420,438
Merger reserve	(1,522,172)	(2,227,746)	(10,355,834)	(14,105,752)
Other reserves	(4,286,428)	(1,273,889)	–	(5,560,317)
Retained profits	150,904,683	589,390	–	151,494,073
Equity attributable to owners of the Company	235,516,521	9,867,571	(23,135,650)	222,248,442
Non-controlling interests	3,962,723	1,212,194	–	5,174,917
Total equity	239,479,244	11,079,765	(23,135,650)	227,423,359

Note:

The adjustments represent adjustments for elimination of investment cost. The difference has been accounted for in the merger reserve in the consolidated statement of changes in equity.

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 business combination under common control to achieve consistency of accounting policies.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices

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.

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 and expense 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Basis of Consolidation *(continued)*

Business combinations – common control combinations

The consolidated financial statements incorporate the financial statements 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Basis of Consolidation *(continued)*

Business combinations – acquisition method (continued)

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

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.

Interests in Associates and Joint Ventures

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.

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 associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates or 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 associates or joint ventures. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or 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 associate or joint venture 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 or 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 of disposal) 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Interests in Associates and Joint Ventures *(continued)*
Upon disposal of an associate or a joint venture that results in the Group losing significant influence or joint control over that associate or joint venture, any retained investment 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 associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture.

If an interest in an associate becomes an interest in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. When the Group disposes a business to its associate or joint venture, the entire gain or loss on disposal is recognised in profit or loss as a loss of control of a business.

Accounting policies of associates and joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

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 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

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 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.

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 of disposal 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Impairment Losses on Tangible and Intangible Assets other than Goodwill *(continued)*
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 of disposal. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) 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.

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 subsidiaries, associates, joint ventures, non-controlling shareholders and CITIC Group, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Financial Instruments *(continued)*

Financial Assets (continued)

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 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).

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Financial Instruments *(continued)*

Financial Assets (continued)

Impairment of financial assets (continued)

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.

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 CITIC Group, associates, joint ventures, non-controlling shareholders, subsidiaries and fellow subsidiaries, bank and other 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

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.

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 Group'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).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Foreign Currencies *(continued)*

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 control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

Employee Benefit *(continued)*

(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 arc not recognised until the time of leave.

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 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 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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

(b) Significant Accounting Polices *(continued)*

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.

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 profit or loss 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.

Hotel Operation, Real Estate Management Services and Building Design Consultancy Services

Revenue from hotel operation, 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 2016

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

(b) Significant Accounting Polices *(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 to 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.

Share-based Payments

Share-based Payment Transactions Among Group Entities

Incentive shares granted by an intermediate holding company to the employees of the Group are treated as capital contribution. The fair value of employee services received, measured by reference to the fair value of incentive shares on the date of grant, is recognised as an expense over the vesting period, with a corresponding credit to equity.

At the end of each reporting period, the Group revises its estimates of the number of incentive shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

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 judgements, 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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 at 31 December 2016 at their fair values of HK$67,093,181,000 (2015 restated: HK$65,467,036,000). The fair values were based on a valuation on these properties conducted by independent firm of professional valuers 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.

(b) Impairment of Property Portfolio Held by the Group's Associates and Joint Ventures

Management assessed the recoverability of the Group's net investments in a listed associate, unlisted associates and joint ventures (representing interests in and amounts due from these companies) undertaking property development projects in the PRC with carrying amounts of HK$14,869,579,000 (2015 restated: HK$4,539,989,000), HK$4,554,302,000 (2015 restated: HK$7,661,165,000) and HK$17,316,472,000 (2015 restated: HK$18,933,979,000) respectively included in the consolidated statement of financial position at 31 December 2016.

The assessment on unlisted associates and joint ventures was based on an estimation of the net realisable value of the underlying properties of the associates and joint ventures which involves, inter-alia, considerable analysis 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 costs, material reversal of or provision for impairment losses may result.

The recoverable amount of the investment in the listed associate is evaluated based on the performance and financial position of the associate, and return on investments including the listed associate's share price performance and dividend yield.

Judgement is required in assessing the ultimate recoverability of the investment.

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2016 is stock of properties with an aggregate carrying amount of HK$261,689,777,000 (2015 restated: HK$297,508,396,000). 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 analysis 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 costs, material reversal of or provision for impairment losses may result.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(d) Land Appreciation Tax ("LAT")

PRC 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 PRC LAT in the period in which such determination is made.

(e) Revenue Recognition

Management made judgements on whether significant risks and rewards of ownership of properties are transferred to the purchasers, and whether the economic benefits associated with the property sales transaction will flow to the Group and are arising in the course of the Group's ordinary activities. These judgements would affect the measurement and presentation of revenue and the carrying value of the 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 and other borrowings and notes payable disclosed in Notes 34 and 35 respectively, bank balances and cash 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 of the Company 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 bank balances and cash. Equity attributable to owners of the Company comprise share capital and reserves attributable to the Company's owners as shown in the consolidated statement of financial position.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

5. CAPITAL RISK MANAGEMENT *(continued)*

The net gearing ratio at the end of the reporting period were as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Bank and other borrowings	**96,245,128**	130,094,877
Notes payable	**77,575,412**	70,949,813
Total debt	**173,820,540**	201,044,690
Less: Bank balances and cash	**(157,161,732)**	(122,800,963)
Net debt	**16,658,808**	78,243,727
Equity attributable to owners of the Company	**222,248,442**	209,564,281
Net gearing ratio	**7.5%**	37.3%

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

	2016 HK$'000	2015 HK$'000 (Restated)
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**192,475,318**	164,579,471
Available-for-sale financial assets (including investments in syndicated property project companies and available-for-sale investments)	**171,423**	4,149,170
Financial liabilities		
Liabilities at amortised cost	**226,977,265**	266,887,166

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies

The Group's major financial instruments include available-for-sale financial assets, bank and other 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 and other borrowings, amounts due to non-controlling shareholders, amounts due from associates and joint ventures amounting to HK$58,236,508,000 (2015 restated: HK$99,268,478,000), HK$502,598,000 (2015 restated: HK$576,523,000) and HK$9,351,118,000 (2015 restated: HK$764,139,000), respectively. The variable-rate bank and other borrowings 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. Management considers the exposure to interest rate risk in relation to bank deposits 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 and other borrowings, notes payable, amounts due to associates and joint ventures, amounts due to non-controlling shareholders, available-for-sale investments, amounts due from associates and joint ventures, and net amounts due from CITIC Group amounting to HK$38,008,620,000 (2015 restated: HK$26,098,214,000), HK$77,575,412,000 (2015 restated: HK$70,949,813,000), HK$627,100,000 (2015 restated: HK$985,634,000), HK$2,083,542,000 (2015 restated: HK$2,393,807,000), HK$Nil (2015 restated: HK$1,830,339,000), HK$Nil (2015 restated: HK$6,313,240,000) and HK$470,480,000 (2015 restated: HK$6,320,362,000), 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 2016

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 (2015: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year would decrease/increase by HK$115,113,000 (2015 restated: HK$258,174,000) after capitalising finance costs in properties under development and investment properties under construction of HK$378,767,000 (2015 restated: HK$732,635,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank and other borrowings, amounts due to non-controlling shareholders and amounts due from associates and 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 payable in aggregate account for 48.2% of the Group's interest bearing debts. Taking into consideration that RMB is still exposed to the risk of depreciation in the short-term but would become stable in the medium term, the foreign exchange risk should be short-term and relatively controllable. Management manages its foreign currency risk by closely reviewing the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Assets		
HK$	**7,764,227**	14,353,109
United States dollars ("US$")	**16,613,386**	4,354,187
British Pound ("GBP")	**–**	1,472,798
Liabilities		
HK$	**27,479,622**	33,070,918
US$	**48,245,342**	49,569,619
Euro ("EUR")	**8,100,911**	8,397,454

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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 risk of US$, HK$, EUR and GBP. The following details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the functional currencies of group entities against US$, HK$, EUR and GBP respectively. 5% (2015: 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% (2015: 5%) change in foreign currency rates. The sensitivity analysis includes amounts due from associates and joint ventures, bank balances, bank and other borrowings and notes payable in currencies other than the functional currencies of the group entities. Certain notes payable denominated in US$ expose to currency risk against HK$. As HK$ is pegged to US$, management considers the currency risk exposed to these US$ notes payable is insignificant.

For a 5% (2015: 5%) decrease of functional currencies of group entities against US$, HK$, EUR, GBP and all other variables were held constant, the Group's profit before tax for the year would decrease by HK$1,913,474,000 (2015 restated: HK$2,498,483,000) after increase in capitalising of exchange losses in stock of properties of HK$22,000,000 (2015 restated: HK$16,000,000).

For a 5% (2015: 5%) increase of functional currencies of group entities against US$, HK$, EUR, GBP and all other variables were held constant, the Group's profit before tax for the year would increase by HK$1,533,474,000 (2015 restated: HK$1,468,483,000) after decrease in capitalising of exchange losses in stock of properties of HK$402,000,000 (2015 restated: HK$1,046,000,000).

This is mainly attributable to the Group's exposure to outstanding amounts due from associates and joint ventures, bank balances, bank and other borrowings and notes payable at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Credit risk

At 31 December 2016, 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 amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amounts of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 43.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(ii) Credit risk *(continued)*

In order to minimise the credit risk, 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 associates, joint ventures and non-controlling shareholders, 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 associates, joint ventures and non-controlling shareholders, 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 amount of the individual debt 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 spreading 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 purchases 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, management considers it would recover any loss incurred arising from the guarantee provided by the Group.

(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 management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and notes payable as a significant source of liquidity. At 31 December 2016, the Group maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity risk *(continued)*

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 is 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	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016						
Trade and other payables	**41,499,088**	**2,178,577**	**1,092,099**	**45,437**	**44,815,201**	**44,815,201**
Amounts due to fellow subsidiaries	**678,296**	**–**	**–**	**–**	**678,296**	**678,296**
Amounts due to associates	**1,402,372**	**–**	**–**	**–**	**1,402,372**	**1,400,177**
Amounts due to joint ventures	**2,158,084**	**–**	**–**	**–**	**2,158,084**	**2,158,084**
Amounts due to non-controlling shareholders	**3,237,937**	**955,181**	**–**	**–**	**4,193,118**	**3,839,122**
Amounts due to CITIC Group	**265,845**	**–**	**–**	**–**	**265,845**	**265,845**
Bank and other borrowings	**37,841,577**	**19,109,751**	**45,155,755**	**3,225,410**	**105,332,493**	**96,245,128**
Notes payable	**8,415,644**	**19,309,440**	**37,387,113**	**37,416,997**	**102,529,194**	**77,575,412**
Financial guarantee contracts	**42,676,943**	**457,615**	**27,996**	**–**	**43,162,554**	**–**
	138,175,786	**42,010,564**	**83,662,963**	**40,687,844**	**304,537,157**	**226,977,265**
At 31 December 2015 (restated)						
Trade and other payables	44,129,810	2,227,909	1,600,901	63,840	48,022,460	48,022,460
Amounts due to fellow subsidiaries	618,156	–	–	–	618,156	618,156
Amounts due to associates	1,239,843	–	–	–	1,239,843	1,237,073
Amounts due to joint ventures	1,600,834	–	–	–	1,600,834	1,600,834
Amounts due to non-controlling shareholders	3,159,280	1,279,043	–	–	4,438,323	4,085,116
Amounts due to CITIC Group	10,278,837	–	–	–	10,278,837	10,278,837
Bank and other borrowings	35,712,350	40,115,116	64,167,815	4,137,815	144,133,096	130,094,877
Notes payable	2,665,275	8,850,233	47,520,697	38,784,592	97,820,797	70,949,813
Financial guarantee contracts	31,658,862	744,604	303,957	–	32,707,423	–
	131,063,247	53,216,905	113,593,370	42,986,247	340,859,769	266,887,166

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity risk *(continued)*

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 that 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 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 suffers credit losses.

c. Fair Value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of investments in syndicated property project companies is estimated with reference to the fair value of the properties held by these companies;

- The fair values of Juxin Huijin Real Estate Fund No. 1 (“Huijin No. 1) and Juxin Huijin Real Estate Fund No. 3 (“Huijin No. 3”) are determined using discounted cash flow models and the significant unobservable inputs used in the fair value measurement are discount rate and expected volatility;

- The fair values of other wealth management products are determined using income capitalisation method and the significant unobservable input used in the fair value measurement is expected volatility;

- The fair values of financial guarantee contracts are 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 values of other financial assets and other financial liabilities are 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 approximate their fair values.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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).

	Fair value measurements at 31 December 2016 categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Investments in syndicated property project companies	**–**	**–**	**24,212**	**24,212**
	–	**–**	**24,212**	**24,212**

	Fair value measurements at 31 December 2015 categorised into			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)
Recurring fair value measurements				
Investments in wealth management products				
– Huijin No. 1	–	–	94,338	94,338
– Huijin No. 3	–	–	2,086,417	2,086,417
– Others	–	–	1,830,338	1,830,338
Investments in syndicated property project companies	–	–	24,233	24,233
	–	–	4,035,326	4,035,326

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair Value *(continued)*

Information about Level 3 fair value measurements

	Fair value at 31 December 2016 ***HK$'000***	**Valuation techniques**	**Significant unobservable inputs**	**Range**
Syndicated property project companies	24,212	Direct comparison	Comparable selling prices	HK$4,200 – HK$6,000 per square foot

	Fair value at 31 December 2015 *HK$'000* (Restated)	Valuation techniques	Significant unobservable inputs	Range
Huijin No. 1 and Huijin No. 3	2,180,755	Discounted cash flow method	Discount rate	16.0%
			Expected volatility	15.0% – 17.0%
Other wealth management products	1,830,338	Income capitalisation method	Expected volatility	2.8% – 7.0%
Syndicated property project companies	24,233	Direct comparison	Comparable selling prices	HK$4,200 – HK$6,000 per square foot

The fair value measurement is negatively correlated to the discount rate and positively correlated to the expected volatility and comparable selling price.

The movements during the year in the balances of these Level 3 fair value measurements are as follows:

	HK$'000
At 1 January 2015, restated	2,801,356
Additions	1,214,473
Gains recognised in other comprehensive income	19,497
At 31 December 2015, restated	4,035,326
Acquisition of subsidiaries *(Note 40(a))*	(2,180,755)
Disposals	(1,830,359)
At 31 December 2016	24,212

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. There were no changes in valuation techniques during the year.

The sensitivity analysis is not performed as management considers that the Group is not exposed to significant fair value risk at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

7. REVENUE

Revenue comprises proceeds from property development, property rentals and other income. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Proceeds from property development activities	**159,891,147**	163,559,055
Property rentals	**2,137,167**	2,012,668
Others *(Note)*	**2,040,214**	3,990,074
Revenue	**164,068,528**	169,561,797
Business tax	**(5,351,547)**	(9,222,727)
Net revenue	**158,716,981**	160,339,070

Note: Others mainly comprise revenues from hotel operation, provision of real estate management services, and 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 resources 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 hotel operation, real estate management services, construction and building design consultancy services

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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 2016

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment revenue				
— from external customers	**159,891,147**	**2,137,167**	**2,040,214**	**164,068,528**
Business tax	**(5,247,187)**	**(88,446)**	**(15,914)**	**(5,351,547)**
Net revenue	**154,643,960**	**2,048,721**	**2,024,300**	**158,716,981**
Segment profit (including share of profits of associates and joint ventures)	**46,944,834**	**11,881,858**	**31,063**	**58,857,755**

Year ended 31 December 2015 (restated)

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment revenue				
— from external customers	163,559,055	2,012,668	3,990,074	169,561,797
Business tax	(8,970,807)	(88,823)	(163,097)	(9,222,727)
Net revenue	154,588,248	1,923,845	3,826,977	160,339,070
Segment profit (including share of profits of associates and joint ventures)	42,328,646	9,134,813	92,951	51,556,410

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

8. SEGMENT INFORMATION *(continued)*

Segment Revenue and Results *(continued)*

Reconciliation of reportable segment profits 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 profits include profits from subsidiaries and share of profits of associates and joint ventures. This represents the profit earned by each segment without allocation of net gain on distribution in specie, interest income on bank deposits and receivables, corporate expenses, finance costs and net foreign exchange losses recognised in the consolidated income statement. This is the measure reported to the management of the Group for the purposes of resources allocation and performance assessment.

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Reportable segment profits	**58,857,755**	51,556,410
Unallocated items:		
Net gain on distribution in specie	–	2,512,965
Interest income on bank deposits and receivables	**1,949,117**	1,702,594
Corporate expenses	**(376,657)**	(486,102)
Finance costs	**(2,055,956)**	(2,757,312)
Net foreign exchange losses charged to the consolidated income statement	**(1,272,458)**	(1,160,554)
Consolidated profit before tax	**57,101,801**	51,368,001

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 31 December 2016

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segment total *HK$'000*
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	**343,045,092**	**67,889,162**	**3,193,291**	**414,127,545**
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	**(158,997,696)**	**(8,405,234)**	**(2,642,448)**	**(170,045,378)**

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

At 31 December 2015 (restated)

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000	Segment total HK$'000
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	386,819,164	69,512,484	3,115,482	459,447,130
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	(155,879,938)	(7,758,590)	(1,985,348)	(165,623,876)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than bank balances and cash; and
- all liabilities are allocated to reportable segments other than bank and other borrowings and notes payable.

	2016 **HK$'000**	2015 HK$'000 (Restated)
Reportable segment assets	**414,127,545**	459,447,130
Unallocated items:		
Bank balances and cash	**157,161,732**	122,800,963
Consolidated total assets	**571,289,277**	582,248,093
Reportable segment liabilities	**(170,045,378)**	(165,623,876)
Unallocated items:		
Bank and other borrowings	**(96,245,128)**	(130,094,877)
Notes payable	**(77,575,412)**	(70,949,813)
Consolidated total liabilities	**(343,865,918)**	(366,668,566)

Notes:

(a) Segment assets include interests in and amounts due from associates of HK$5,512,064,000 (2015 restated: HK$6,025,552,000) and HK$14,529,979,000 (2015 restated: HK$6,979,800,000) and interests in and amounts due from joint ventures of HK$10,526,289,000 (2015 restated: HK$11,883,616,000) and HK$7,570,878,000 (2015 restated: HK$8,047,663,000) respectively.

(b) Segment liabilities include amounts due to associates and joint ventures of HK$1,400,177,000 and HK$2,158,084,000 (2015 restated: HK$1,237,073,000 and HK$1,600,834,000) respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

8. SEGMENT INFORMATION *(continued)*

Other Segment Information

Year ended 31 December 2016

	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:				
Additions to non-current assets *(Note)*	**872,668**	**2,544,529**	**22,441**	**3,439,638**
Gain/(loss) on disposal of property, plant and equipment	**143,825**	**17**	**(361)**	**143,481**
Gain on disposal of investment properties	**–**	**1,028,432**	**–**	**1,028,432**
Depreciation and amortisation	**259,208**	**4,105**	**93,657**	**356,970**
Gain arising from changes in fair value of investment properties	**–**	**7,722,671**	**–**	**7,722,671**
Interest income on amounts due from associates and joint ventures	**307,136**	**–**	**–**	**307,136**
Impairment losses in respect of goodwill	**1,903,104**	**–**	**–**	**1,903,104**
Share of profits of associates	**476,682**	**–**	**–**	**476,682**
Share of profits of joint ventures	**775,770**	**–**	**–**	**775,770**

Year ended 31 December 2015 (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:				
Additions to non-current assets *(Note)*	379,292	2,476,296	77,190	2,932,778
Gain/(loss) on disposal of property, plant and equipment	15,093	(764)	(483)	13,846
Gain on disposal of investment properties	–	91,559	–	91,559
Depreciation and amortisation	266,846	5,562	67,012	339,420
Gain arising from changes in fair value of investment properties	–	7,514,317	–	7,514,317
Interest income on amounts due from associates and joint ventures	352,696	–	–	352,696
Impairment losses in respect of goodwill	–	–	44,496	44,496
Share of profits of associates	408,425	–	–	408,425
Share of profits of joint ventures	650,333	–	–	650,333

Note: Non-current assets exclude investments in syndicated property project companies, available-for-sale investments, interests in and amounts due from associates, interests in and amounts due from joint ventures, amounts due from CITIC Group and deferred tax assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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 *(Note)*	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
PRC				
Hua Nan Region	**54,725,726**	47,755,064	**12,693,086**	12,674,570
Hua Dong Region	**28,518,574**	42,362,128	**8,396,764**	8,643,194
Hua Bei Region	**41,572,958**	29,150,087	**28,853,510**	24,807,339
Northern Region	**18,744,106**	28,485,224	**2,622,338**	3,450,086
Western Region	**11,321,252**	15,517,991	**9,905,335**	10,377,054
The United Kingdom	**391,484**	339,074	**6,436,700**	6,249,931
Hong Kong and Macau	**8,794,428**	5,952,229	**2,704,353**	5,107,373
	164,068,528	169,561,797	**71,612,086**	71,309,547
Business tax	**(5,351,547)**	(9,222,727)	**–**	–
	158,716,981	160,339,070	**71,612,086**	71,309,547

Note: *Non-current assets exclude investments in syndicated property project companies, available-for-sale investments, interests in and amounts due from associates, interests in and amounts due from joint ventures, amounts due from CITIC Group and deferred tax assets.*

Information about Major Customers

There was no customer who accounted for over 10% of the Group's revenue for both years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

9. OTHER INCOME AND GAINS, NET

	2016 HK$'000	2015 HK$'000 (Restated)
Other income and gains, net include:		
Interest on bank deposits and receivables	**1,949,117**	1,702,594
Interest income on amounts due from associates and joint ventures	**307,136**	352,696
Total interest income	**2,256,253**	2,055,290
Dividend income from available-for-sale investments	**–**	497,281
Gain on disposal of property, plant and equipment	**143,481**	13,846
Net foreign exchange losses	**(2,575,458)**	(2,320,554)
Less: Exchange losses arising from foreign currency borrowings capitalised	**1,303,000**	1,160,000
Net foreign exchange losses charged to the consolidated income statement	**(1,272,458)**	(1,160,554)

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000 (Restated)
Interest on bank and other borrowings and notes payable	**8,705,618**	10,201,847
Interest on amounts due to holding companies	**–**	221,720
Other finance costs	**115,253**	158,340
Total finance costs	**8,820,871**	10,581,907
Less: Amount capitalised	**(6,764,915)**	(7,824,595)
	2,055,956	2,757,312

Finance costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.35% (2015 restated: 4.68%) per annum to expenditure on qualifying assets including the effect of capitalisation of exchange losses of HK$1,303,000,000 (2015 restated: HK$1,160,000,000) (Note 9).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

11. INCOME TAX EXPENSES

	2016 HK$'000	2015 HK$'000 (Restated)
Current tax:		
PRC Corporate Income Tax ("CIT")	**8,788,070**	8,672,203
LAT	**7,775,675**	5,012,512
PRC withholding income tax	**595,252**	441,615
Hong Kong profits tax	**119,140**	39,880
Macau income tax	**2,522**	420,838
Others	**6,170**	5,956
	17,286,829	14,593,004
(Over)/under-provision in prior years:		
CIT	**–**	18,750
LAT	**–**	45,561
Hong Kong profits tax	**–**	(110)
Macau income tax	**(3,690)**	–
	(3,690)	64,201
Deferred tax *(Note 36)*:		
Current year	**1,427,886**	1,296,600
Total	**18,711,025**	15,953,805

Under the Law of PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2015: 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.

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

Macau income tax is calculated at the prevailing tax rate of 12% (2015: 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 2016

11. INCOME TAX EXPENSES *(continued)*

The income tax expenses for the year are reconciled to the profit before tax per the consolidated income statement as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Profit before tax	**57,101,801**	51,368,001
Tax at the applicable tax rate of 25% (2015: 25%)	**14,275,450**	12,842,000
PRC withholding income tax	**595,252**	441,615
LAT	**7,775,675**	5,012,512
Tax effect of LAT	**(1,943,919)**	(1,253,128)
Tax effect of share of results of associates and joint ventures	**(313,113)**	(264,690)
Tax effect of expenses not deductible for tax purpose	**933,569**	554,175
Tax effect of income not taxable for tax purpose	**(1,999,740)**	(1,357,652)
(Over)/under-provision in prior years	**(3,690)**	64,201
Tax effect of tax losses not recognised	**770,030**	503,486
Utilisation of tax losses previously not recognised	**(67,111)**	(159,813)
Deferred tax on undistributed earnings of PRC joint ventures	**–**	(8,765)
Effect of different tax rates	**(1,261,423)**	(438,568)
Others	**(49,955)**	18,432
Income tax expenses for the year	**18,711,025**	15,953,805

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

12. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000 (Restated)
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit services	**12,150**	9,900
Non-audit services	**1,865**	3,855
In relation to the CITIC Assets Acquisition	**10,545**	–
In relation to the distribution in specie	**–**	7,700
Business tax and other levies	**5,351,547**	9,222,727
Depreciation of property, plant and equipment	**346,706**	317,195
Amortisation of prepaid lease payments for land	**10,264**	22,225
Staff costs including benefits and interests of directors *(Note)*	**2,842,002**	2,834,947
Rental expenses in respect of land and buildings under operating leases	**79,911**	112,823
Share of tax of		
Associates	**461,453**	332,612
Joint ventures	**277,496**	282,991
Cost of stock of properties recognised as expenses	**111,284,866**	111,095,543
Cost of inventories recognised as expenses	**333,490**	391,291
Rental income in respect of investment properties under operating leases, net of outgoings of HK$326,456,000 (2015 restated: HK$266,635,000)	**(1,722,265)**	(1,657,210)

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 HK$107,319,000 (2015 restated: HK$126,813,000), 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 HK$4,784,000 (2015 restated: HK$2,469,000) were payable to the schemes at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

13. BENEFITS AND INTERESTS OF DIRECTORS

		Year ended 31 December 2016 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						
Xiao Xiao	*(i)*	–	5,588	2,847	18	8,453
Hao Jian Min	*(i)*	–	5,472	2,372	15	7,859
Chen Yi	*(iv)*	–	405	–	2	407
Luo Liang		–	1,683	7,636	18	9,337
Nip Yun Wing		–	3,191	3,500	18	6,709
Non-executive Director						
Chang Ying	*(v)*	89	–	–	–	89
Zheng Xuexuan	*(vi)*	239	–	–	–	239
Independent Non-executive Directors						
Li Man Bun, Brian David		500	–	–	–	500
Lam Kwong Siu		500	–	–	–	500
Fan Hsu Lai Tai, Rita		500	–	–	–	500
		1,828	16,339	16,355	71	34,593

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

		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						
Xiao Xiao	*(i)*	–	5,475	2,873	18	8,366
Hao Jian Min	*(i)*	–	6,380	2,873	18	9,271
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	*(vi)*	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:

(i) *Mr. Hao resigned as an Executive director, the Chairman and Chief Executive Officer of the Company with effective from 15 November 2016 and Mr. Xiao was appointed as the Chairman and Chief Executive Officer on the same date. Mr. Xiao then resigned as the Chief Executive officer with effective from 1 January 2017.*

(ii) *Resigned with effective from 3 August 2015*

(iii) *Resigned with effective from 27 October 2015*

(iv) *Resigned with effective from 19 January 2016*

(v) *Appointed with effective from 15 September 2016*

(vi) *Resigned with effective from 19 October 2016*

(vii) *Mr. Yan Jianguo was appointed as an Executive director and the Chief Executive Office of the Company with effective from 1 January 2017.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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 (2015: two) were directors of the Company whose emoluments are included above. The emoluments of the remaining three (2015: three) individuals were set out in Note 45.

No directors waived any emoluments in both years ended 31 December 2016 and 2015.

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 2016 and 2015.

During the year, Messrs Xiao Xiao, Hao Jian Min, Chen Yi, Zheng Xuexuan and Luo Liang 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 2016 and 2015.

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:

	2016 ***HK$'000***	2015 *HK$'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	**37,020,638**	34,643,211

	2016 ***'000***	2015 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**10,183,879**	9,227,527

Diluted earnings per share were the same as the basic earnings per share for both the years ended 31 December 2016 and 2015 as there were no dilutive potential ordinary shares in existence during both years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

15. DIVIDENDS AND DISTRIBUTION IN SPECIE

	2016 *HK$'000*	2015 *HK$'000*
Dividends recognised as distributions during the year		
Interim dividend paid in respect of financial year ended 31 December 2016 of HK35 cents (2015: financial year ended 31 December 2015 interim dividend of HK20 cents) per share	**3,834,671**	1,972,116
Final dividend paid in respect of financial year ended 31 December 2015 of HK41 cents (2015: financial year ended 31 December 2014 final dividend of HK35 cents) per share	**4,042,838**	3,451,203
Distribution in specie *(Note 38)*	**–**	3,089,649
	7,877,509	8,512,968

The final dividend of HK42 cents in respect of the financial year ended 31 December 2016 (2015: final dividend of HK41 cents in respect of the financial year ended 31 December 2015) per share, amounting to HK$4,601,605,000 (2015: HK$4,042,838,000) 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, which was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements, has not been recognised as a liability in the consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

16. INVESTMENT PROPERTIES

	Completed			Under construction	
	The PRC	**Hong Kong & Macau**	**The United Kingdom**	**The PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FAIR VALUE					
At 1 January 2015, as previously reported	30,509,101	4,356,000	5,958,134	14,097,313	54,920,548
Acquisition of the CITIC Acquired Group *(Note 3(a))*	940,893	–	–	–	940,893
At 1 January 2015, as restated	31,449,994	4,356,000	5,958,134	14,097,313	55,861,441
Additions	–	–	–	2,306,526	2,306,526
Gain arising from changes in fair value of investment properties	2,555,593	548,300	420,061	3,990,363	7,514,317
Transfer upon completion	8,690,466	–	–	(8,690,466)	–
Transfer from stock of properties	21,801	–	–	3,291,050	3,312,851
Transfer from self-used properties	455,579	–	–	–	455,579
Disposals	(396,631)	(192,000)	–	–	(588,631)
Distribution in specie *(Note 38)*	(69,834)	–	–	–	(69,834)
Exchange realignment	(1,834,168)	–	(294,820)	(1,196,225)	(3,325,213)
At 31 December 2015, as restated	40,872,800	4,712,300	6,083,375	13,798,561	65,467,036
Additions	**32,733**	**–**	**1,623,901**	**887,832**	**2,544,466**
Gain arising from changes in fair value of investment properties	**5,093,806**	**601,082**	**8,775**	**2,019,008**	**7,722,671**
Transfer upon completion	**5,297,949**	**–**	**–**	**(5,297,949)**	**–**
Transfer from stock of properties	**1,914,606**	**731,618**	**–**	**1,990,938**	**4,637,162**
Transfer to self-used properties	**(1,048,677)**	**–**	**–**	**–**	**(1,048,677)**
Disposals	**(3,185,528)**	**–**	**–**	**–**	**(3,185,528)**
Disposal of subsidiaries *(Note 39(b))*	**(9,525)**	**(3,721,700)**	**–**	**–**	**(3,731,225)**
Exchange realignment	**(2,817,513)**	**–**	**(1,279,351)**	**(1,215,860)**	**(5,312,724)**
At 31 December 2016	**46,150,651**	**2,323,300**	**6,436,700**	**12,182,530**	**67,093,181**

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

16. INVESTMENT PROPERTIES *(continued)*

Valuation Processes of the Group

The fair values of the investment properties, including both land and buildings elements held by the Group at 31 December 2016 have been arrived on the basis of a valuation carried out on that date by DTZ Cushman & Wakefield Limited, CBRE Limited and GVA Grimley Limited.

The valuers mentioned above are independent firms of professional valuers not connected with the Group, who have 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 valuers 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 team:

- 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 valuers.

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 (i) 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; or (ii) discounting a projected cash flow series associated with the properties using risk-adjusted discount rates.

The valuation for investment properties under construction was arrived at by making reference to comparable selling prices, as available in the relevant market. The estimated construction costs to complete the development and estimated developer's profits at the date of valuation are also taken into account.

There was no change to the valuation techniques during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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 2016 *HK$'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	12,182,530	Residual method	Estimated selling prices	RMB11,000 – RMB78,000 per square meter
			Estimated costs to completion	RMB4,600 – RMB8,200 per square meter
			Estimated developer's profits	7.0% – 30.0%
Completed investment properties in the PRC	46,150,651	Investment approach	Prevailing market rents	RMB19 – RMB755 per square meter per month
			Reversionary yield	5.0% – 8.75%
Completed investment properties in Hong Kong and Macau	2,323,300	Investment approach	Prevailing market rents	HK$15 – HK$400 per square foot per month
			Reversionary yield	2.3% – 5.0%
Completed investment properties in the United Kingdom	6,436,700	Investment approach	Prevailing market rents	GBP46 – GBP62 per square foot per year
			Capitalisation rate	4.4% – 5.0%

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

16. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs *(continued)*

Information about fair value measurements using significant unobservable inputs *(continued)*

Description	Fair value at 31 December 2015 *HK$'000* (Restated)	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	13,798,561	Residual method	Estimated costs to completion	RMB2,000 – RMB7,000 per square meter
			Estimated developer's profits	7.0% – 25.0%
Completed investment properties in the PRC	40,872,800	Investment approach	Prevailing market rents	RMB38 – RMB470 per square meter per month
			Reversionary yield	5.5% – 8.5%
			Discount rate	6.5% – 7.0%
			Estimated growth rate of market rents	3.0% – 5.0%
Completed investment properties in Hong Kong and Macau	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%

Estimated costs to completion and developer's profit required are estimated by the independent valuers based on market conditions at the end of the reporting period. 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.

Estimated selling prices, prevailing market rents and estimated growth rate of market rents are estimated based on the independent valuers' view of recent lettings or selling transactions within the subject properties and other comparable properties. The higher the selling prices, rents and growth rate, the higher the fair value.

Reversionary yield, capitalisation rate and discount rate are estimated by the independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the yield, capitalisation rate and discount rate, the higher the fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Hotel buildings *HK$'000*	Plant, machinery and equipment *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
COST						
At 1 January 2015, as previously reported	640,995	642,637	109,564	439,281	–	1,832,477
Acquisition of the CITIC Acquired Group *(Note 3(a))*	1,439,888	1,300,310	332,542	850,036	279,261	4,202,037
At 1 January 2015, as restated	2,080,883	1,942,947	442,106	1,289,317	279,261	6,034,514
Additions	263,751	–	20,847	107,850	67,248	459,696
Acquisition of subsidiaries *(Note 40)*	–	–	–	872	–	872
Disposals	(83,725)	–	(1,404)	(79,319)	(26,151)	(190,599)
Distribution in specie *(Note 38)*	(25,319)	–	(6,006)	(68,005)	–	(99,330)
Reclassification	(219)	–	219	–	–	–
Transfer to investment properties *(Note)*	(93,437)	–	–	–	–	(93,437)
Exchange realignment	(145,951)	(53,570)	(23,377)	(66,450)	(17,987)	(307,335)
At 31 December 2015, as restated	**1,995,983**	**1,889,377**	**432,385**	**1,184,265**	**302,371**	**5,804,381**
Additions	**50,207**	**35,625**	**6,335**	**195,142**	**607,863**	**895,172**
Acquisition of subsidiaries *(Note 40)*	**–**	**–**	**–**	**18,431**	**–**	**18,431**
Transfer from stock of properties	**41,106**	**–**	**–**	**–**	**–**	**41,106**
Transfer from investment properties	**655,620**	**393,057**	**–**	**–**	**–**	**1,048,677**
Disposals	**(252,854)**	**–**	**(17,939)**	**(38,683)**	**–**	**(309,476)**
Disposal of subsidiaries *(Note 39(b))*	**(396,651)**	**–**	**(22,429)**	**(502,727)**	**(907,657)**	**(1,829,464)**
Exchange realignment	**(63,951)**	**(127,828)**	**(22,975)**	**(52,692)**	**(2,577)**	**(270,023)**
At 31 December 2016	**2,029,460**	**2,190,231**	**375,377**	**803,736**	**–**	**5,398,804**

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and buildings HK$'000	Hotel buildings HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
DEPRECIATION						
At 1 January 2015, as previously reported	80,070	63,975	56,982	253,898	–	454,925
Acquisition of the CITIC Acquired Group *(Note 3(a))*	255,998	223,694	122,867	519,914	–	1,122,473
At 1 January 2015, as restated	336,068	287,669	179,849	773,812	–	1,577,398
Provided for the year	109,413	24,202	35,471	148,109	–	317,195
Acquisition of subsidiaries *(Note 40)*	–	–	–	77	–	77
Eliminated on disposals	(14,779)	–	(738)	(44,569)	–	(60,086)
Distribution in specie *(Note 38)*	(1,993)	–	(2,093)	(51,355)	–	(55,441)
Transfer to investment properties *(Note)*	(9,500)	–	–	–	–	(9,500)
Exchange realignment	(28,914)	(7,012)	(9,634)	(47,831)	–	(93,391)
At 31 December 2015, as restated	**390,295**	**304,859**	**202,855**	**778,243**	**–**	**1,676,252**
Provided for the year	**53,507**	**173,480**	**26,686**	**93,033**	**–**	**346,706**
Acquisition of subsidiaries *(Note 40)*	**–**	**–**	**–**	**10,702**	**–**	**10,702**
Eliminated on disposals	**(89,278)**	**–**	**(433)**	**(28,152)**	**–**	**(117,863)**
Disposal of subsidiaries *(Note 39(b))*	**(68,330)**	**–**	**(19,532)**	**(222,660)**	**–**	**(310,522)**
Exchange realignment	**(15,108)**	**(29,445)**	**(10,791)**	**(37,634)**	**–**	**(92,978)**
At 31 December 2016	**271,086**	**448,894**	**198,785**	**593,532**	**–**	**1,512,297**
CARRYING VALUES						
At 31 December 2016	**1,758,374**	**1,741,337**	**176,592**	**210,204**	**–**	**3,886,507**
At 31 December 2015, as restated	1,605,688	1,584,518	229,530	406,022	302,371	4,128,129

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

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 buildings	20 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

Note: During the year ended 31 December 2015, the intended use of a property previously held for own use has been changed to leasing purpose. This property with carrying amount of HK$455,579,000 (Note 16), being the fair value of the property at the date of change in use, was transferred from "leasehold land and buildings" to "investment properties" accordingly. As a result of the transfer, a revaluation surplus, after tax effect of HK$92,910,000 (Note 36), of HK$278,732,000 has been recognised in other comprehensive income and accumulated in the other property revaluation reserve.

18. PREPAID LEASE PAYMENTS FOR LAND

	2016 HK$'000	2015 HK$'000 (Restated)
Land use rights in PRC	**586,270**	1,487,324
Analysed for reporting purposes as:		
Non-current assets	**567,873**	1,483,302
Current assets	**18,397**	4,022
	586,270	1,487,324

19. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000 (Restated)
Cost of investments		
Listed in Hong Kong	**2,862,287**	2,862,287
Unlisted	**1,535,210**	1,864,734
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,114,567**	1,298,531
	5,512,064	6,025,552
Market value of the interest in the listed associate	**2,192,752**	2,843,087

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES *(continued)*

Set out below are the particulars of the principal associates at 31 December 2016 and 2015. 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/ establishment	Place of operation	Proportion of nominal value of issued ordinary capital/registered capital indirectly held 2016	2015	Principal activities
China Overseas Grand Oceans Group Ltd. ("COGO")*	Hong Kong	PRC	**37.98%**	37.98%	Property development and investment and investment holding
金茂投資(長沙)有限公司	PRC	PRC	**20%**	20%	Property development
廣州利合房地產開發有限公司	PRC	PRC	**20%**	20%	Property development

* *COGO is listed in 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 summarised financial information of associate of the Group at 31 December 2016 which, in the opinion of the directors of the Company, is material to the Group.

Summarised Statement of Financial Position

	COGO 2016 HK$'000	2015 HK$'000
Current		
Bank balances and cash	**15,158,177**	9,689,637
Other current assets	**61,660,831**	42,946,886
Total current assets	**76,819,008**	52,636,523
Financial liabilities (excluding trade payables)	**(18,752,265)**	(6,613,858)
Other current liabilities (including trade payables)	**(29,762,093)**	(22,297,220)
Total current liabilities	**(48,514,358)**	(28,911,078)
Non-current		
Total non-current assets	**4,534,707**	3,160,097
Financial liabilities	**(17,833,450)**	(13,772,041)
Other liabilities	**(3,820,607)**	(1,303,664)
Total non-current liabilities	**(21,654,057)**	(15,075,705)
Net assets	**11,185,300**	11,809,837

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES *(continued)*

Summarised Statement of Comprehensive Income

	COGO 2016 HK$'000	2015 HK$'000
Revenue	**17,093,485**	16,613,887
Depreciation and amortisation	**(13,302)**	(17,946)
Interest income	**125,593**	92,005
Interest expense	**(18,450)**	(27,259)
Profit before tax	**2,114,551**	1,720,733
Income tax expenses	**(1,179,996)**	(798,894)
Profit for the year	**934,555**	921,839
Other comprehensive income	**(1,689,905)**	(1,636,633)
Total comprehensive income	**(755,350)**	(714,794)
Dividends received from COGO	**–**	8,667

Reconciliation of Summarised Financial Information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	COGO 2016 HK$'000	2015 HK$'000
Opening net assets at 1 January	**11,809,837**	12,972,369
Profit for the year	**934,555**	921,839
Other comprehensive income and other reserves	**(1,559,092)**	(1,996,277)
Dividends paid	**–**	(88,094)
Closing net assets at 31 December	**11,185,300**	11,809,837
Non-controlling interests	**(763,373)**	(637,086)
Equity attributable to owners of the associate	**10,421,927**	11,172,751
Interest in associate %	**37.98%**	37.98%
Interest in associate	**3,958,248**	4,243,411
Carrying value at 31 December	**3,958,248**	4,243,411

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES *(continued)*

Aggregate Information of Associates that are not Individually Material

	2016 HK$'000	2015 HK$'000 (Restated)
The Group's share of profit	**134,742**	85,141
The Group's share of other comprehensive income	**(111,069)**	(324,275)
The Group's share of total comprehensive income	**23,673**	(239,134)
Aggregate carrying amount of the Group's interests in these associates	**1,553,816**	1,782,141

There are no significant contingent liabilities relating to the Group's interests in the associates.

20. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000 (Restated)
Cost of investments, unlisted	**8,214,910**	8,389,037
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,311,379**	3,494,579
	10,526,289	11,883,616

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

20. INTERESTS IN JOINT VENTURES *(continued)*

Set out below are the particulars of the principal joint ventures at 31 December 2016 and 2015. 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
	2016	2015	
重慶嘉江房地產開發有限公司	**60%^**	60%^	Property development
重慶豐盈房地產開發有限公司	**45%^**	45%^	Property development
海墅房地產開發(杭州)有限公司	**50%**	50%	Property development
杭州世茂世盈房地產開發有限公司	**50%**	50%	Property development
重慶嘉益房地產開發有限公司	**50%**	50%	Property development
冠泉置業(寧波)有限公司	**50%**	50%	Property development
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%	Property development
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%**	50%	Property development
中國南航建設開發有限公司	**51%^**	51%^	Property development
中信保利達地產(佛山)有限公司	**50%**	50%	Property development

^ *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.*

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

20. INTERESTS IN JOINT VENTURES *(continued)*

Aggregate information of joint ventures that are not individually material

	2016 HK$'000	2015 HK$'000 (Restated)
The Group's share of profit	**775,770**	650,333
The Group's share of other comprehensive income	**(975,668)**	(654,904)
The Group's share of total comprehensive income	**(199,898)**	(4,571)
Aggregate carrying amount of the Group's interests in these joint ventures	**10,526,289**	11,883,616

The contingent liabilities relating to the Group's interests in joint ventures are disclosed in Note 43.

21. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES AND AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000 (Restated)
Unlisted, at fair value		
Investments in syndicated property project companies *(Note a)*	**24,212**	24,233
Investments in wealth management products		
– Huijin No. 1 *(Note 40(a))*	**–**	94,338
– Huijin No. 3 *(Note 40(a))*	**–**	2,086,417
– Others	**–**	1,830,338
	24,212	4,035,326
Unlisted, at cost less impairment *(Note b)*		
Investments in wealth management products	**53,865**	11,936
Available-for-sale equity investments	**93,346**	101,908
	147,211	113,844
Total	**171,423**	4,149,170
Less: Amounts classified as current assets	**–**	(1,814,275)
Amounts classified as non-current assets	**171,423**	2,334,895

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

21. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES AND AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Notes:

(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		Principal activities
	2016	2015	
Direct Profit Development Limited	**8%**	8%	Property development
Dramstar Company Limited	**12%**	12%	Property development
Moricrown Ltd.*	**–**	7%	Property development
Victory World Limited	**10%**	10%	Property development

* *Incorporated in the British Virgin Islands*

(b) At 31 December 2016 and 2015, these equity investments were stated at their costs because there was no active market quotation and the fair value could not be reliably measured. Available-for-sale equity investments were individually determined to be impaired on the basis of a material decline in their fair values below costs and adverse changes in the market in which these investees operated and indicated that the costs of the Group's investments in them may not be recovered.

During the year ended 31 December 2015, the directors of the Company were in the opinion that HK$13,619,000 impairment loss in respect of available-for-sale investments has been recognised since the recoverable amounts of the cash generating units of the investments are lower than their carrying values.

22. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES UNDER NON-CURRENT ASSETS

	2016			2015		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)	(Restated)
Amounts due from:						
associates	**2,728,181**	**–**	**2,728,181**	2,919,854	2,078,240	4,998,094
joint ventures	**1,293,878**	**764,139**	**2,058,017**	1,929,449	764,139	2,693,588
	4,022,059	**764,139**	**4,786,198**	4,849,303	2,842,379	7,691,682

At 31 December 2016, the interest bearing amounts due from joint ventures bear variable interest rates ranging from 6.84% to 6.92% (2015 restated: 6.36% to 6.45%) per annum.

At 31 December 2015, the interest bearing amounts due from associates bore fixed interest rates ranging from 5.23% to 10.0% per annum.

All the non-current amounts due from associates and joint ventures are unsecured and not expected to be recovered within one year after the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

23. INVENTORIES

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Raw materials and consumables, at cost	**88,711**	89,854

24. STOCK OF PROPERTIES

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Completed properties	**51,829,525**	53,963,413
Properties under development *(Note)*	**209,860,252**	243,544,983
Total stock of properties	**261,689,777**	297,508,396

Note: Included in the amount are properties under development for sale of HK$136,398,682,000 (2015 restated: HK$162,912,702,000) not expected to be realised within twelve months from the end of the reporting period.

At 31 December 2016, stock of properties with carrying amount of HK$1,461,995,000 (2015 restated: HK$22,671,104,000) were stated at their net realisable values.

At 31 December 2016, stock of properties include costs incurred for a project in Beijing of HK$11,299,680,000 (2015 restated: HK$Nil), whereby the Group entered into agreements with the Beijing local government for land development works such as relocation of residents and infrastructure constructions, and for certain portion of the land, subsequent development of residential properties for sale. The Group will be reimbursed for the actual costs incurred in carrying out such works and be entitled to a return as stipulated in the agreements.

25. LAND DEVELOPMENT EXPENDITURE

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Cost incurred	**7,631,262**	4,733,878

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 2016, the cost incurred for the land development was HK$7,631,262,000 (2015 restated: HK$4,733,878,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

26. 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 an ageing analysis of trade receivables presented at the end of the reporting period:

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Trade receivables, aged		
0–30 days	**6,789,334**	7,721,317
31–90 days	**297,355**	270,274
Over 90 days	**695,944**	864,134
	7,782,633	8,855,725
Other receivables	**3,558,798**	5,620,579
	11,341,431	14,476,304

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 at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

27. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/ASSOCIATES/JOINT VENTURES/ NON-CONTROLLING SHAREHOLDERS UNDER CURRENT ASSETS

At 31 December 2016, the amounts due from associates include amounts due from COGO of HK$10,913,818,000, which were mainly arisen from the disposal of subsidiaries to COGO by the Group (Note 39(b)). The amounts include HK$6,005,268,000 which bears variable interest at the People's Bank of China prevailing lending rate per annum, HK$2,581,711,000 which bears variable interest at Hong Kong Interbank Offered Rate ("HIBOR") per annum, and the remaining balances are interest-free. All these balances are unsecured and recoverable within one year or on demand.

The remaining balances of amounts due from associates, amounts due from fellow subsidiaries/joint ventures/non-controlling shareholders at 31 December 2016 are unsecured, interest-free and recoverable on demand.

At 31 December 2015, except for the amounts due from associates and joint ventures of HK$4,235,000,000 which were unsecured, bore fixed interest rates ranging from 2.85% to 10.0% per annum and recoverable on demand, the remaining balances were unsecured, interest-free and recoverable on demand.

28. AMOUNTS DUE FROM/TO CITIC GROUP

At 31 December 2015, the non-current amounts due from CITIC Group were unsecured and bore fixed interest rates ranging from 6.0% to 11.0% per annum.

At 31 December 2016, except for the amounts of HK$470,480,000 (2015 restated: HK$2,221,000,000) which bear fixed interest rates ranging from 1.49% to 4.0% (2015 restated: 5.0% to 17.0%) per annum, all the current amounts due from CITIC Group are unsecured, interest-free and recoverable on demand.

At 31 December 2016, the current amounts due to CITIC Group are unsecured, interest-free and repayable on demand. At 31 December 2015, except for the amounts of HK$178,024,000 which bore fixed interest rates ranging from 7.36% to 7.46% per annum, all the current amounts due to CITIC Group were unsecured, interest-free and repayable on demand.

During the year ended 31 December 2016, certain amounts due from and to CITIC Group were offset pursuant to the sale and purchase agreement of the CITIC Assets Acquisition.

29. BANK BALANCES AND CASH

Included in bank balances and cash are restricted bank deposits of HK$2,178,346,000 (2015 restated: HK$2,753,068,000) which can only be applied in the designated property development projects.

All bank deposits of the Group carry interest at market rates ranging from 0.01% to 4.50% (2015 restated: 0.01% to 6.10%) per annum.

At the end of the reporting period, the Group had the following bank balances and cash denominated in foreign currencies:

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Bank balances and cash denominated in:		
HK$	**11,955,027**	17,372,176
US$	**11,793,849**	2,256,747

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

30. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on invoice date at the end of the reporting period:

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Trade payables, aged		
0–30 days	**9,481,660**	7,472,319
31–90 days	**697,096**	1,264,491
Over 90 days	**18,219,961**	20,963,363
	28,398,717	29,700,173
Other payables	**4,900,652**	6,983,173
Retentions payable	**11,515,832**	11,339,114
	44,815,201	48,022,460

Other payables mainly include other taxes payable and accrued charges.

Of the other payables and retentions payable, an amount of HK$3,316,113,000 (2015 restated: HK$3,892,650,000) is due beyond twelve months from the end of the reporting period.

31. AMOUNTS DUE TO FELLOW SUBSIDIARIES/ASSOCIATES/JOINT VENTURES

At 31 December 2016 and 2015, the amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

At 31 December 2016, except for the unsecured amount due to an associate of HK$627,100,000 (2015 restated: amounts due to associates and joint ventures of HK$985,634,000) which bears fixed interest rate at 0.35% (2015 restated: ranging from 0.35% to 11.0%) per annum and repayable on demand, all the amounts due to associates and joint ventures are unsecured, interest-free and repayable on demand.

32. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

At 31 December 2016, the current amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand except for the amounts of HK$1,805,465,000 (2015 restated: HK$1,886,226,000) which bear fixed interest rates ranging from 5.7% to 14.4% (2015: restated: 5.7% to 14.4%) per annum.

At 31 December 2016, the non-current amounts due to non-controlling shareholders are unsecured, interest-free and not repayable within one year from the end of the reporting period except for the amounts of HK$278,077,000 (2015 restated: HK$507,581,000) and HK$502,598,000 (2015 restated: HK$576,523,000) under non-current liabilities which bear fixed and variable interest rates respectively ranging from 6.0% to 6.15% (2015 restated: 6.0% to 8.0%) per annum.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

33. SHARE CAPITAL

	2016 Number of shares '000	2016 Value HK$'000	2015 Number of shares '000	2015 Value HK$'000
Issued and fully paid				
At beginning of the year	**9,860,581**	**62,434,116**	8,173,976	19,634,031
Issue of shares	**1,095,620**	**27,986,322**	1,686,605	42,800,085
At end of the year	**10,956,201**	**90,420,438**	9,860,581	62,434,116

In connection with the CITIC Assets Acquisition (Note 3(a)), the Company has allotted and issued 1,095,620,154 ordinary shares of the Company to CITIC Limited at HK$25.55 per share on 15 September 2016 for a net value of HK$27,986,322,000 (net of share issuance costs).

During the year ended 31 December 2015, in connection with the acquisition of properties from CSCECL and to replenish the capital resources and support future property development business of the Group after completion of such acquisition, COHL has subscribed for 1,686,605,875 ordinary shares of the Company at HK$25.38 per share, with a net proceed of HK$42,800,085,000.

Share-based Payments

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan") of CSCECL, an intermediate holding company of the Company, 10,200,000 incentive shares were granted to certain employees of the Company (the "Employees", including one director and certain members of senior management) on 29 December 2016 (the "Grant Date") with an exercise price of RMB4.866 per share, subject to a lock-up period of two-year service from the Grant Date (the "Lock-up Period"). During the Lock-up Period, the incentive shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the incentive shares are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date. Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over the incentive shares will be removed, otherwise, CSCECL has constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or individual's key performance indicators are not achieved.

The fair value of the incentive shares on the Grant Date determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs adopted in the model include:

Closing price on the Grant Date	RMB9.16 per share
Exercise price	RMB4.866 per share
Cap of the share-based payments	40% of respective Employees' remuneration
Average volatility	44%
Average dividend yield	3.32%
Average annual risk-free interest rate	2.84%

The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

34. BANK AND OTHER BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Bank and other borrowings		
– secured	**1,296,492**	14,919,692
– unsecured	**94,948,636**	115,175,185
	96,245,128	130,094,877

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
The bank and other borrowings are repayable as follows:		
Within one year	**34,471,679**	29,583,899
More than one year, but not exceeding two years	**17,100,765**	35,719,563
More than two years, but not exceeding five years	**41,973,916**	64,504,950
After five years	**2,698,768**	286,465
Total bank and other borrowings	**96,245,128**	130,094,877
Less: Amounts classified as current liabilities	**(34,471,679)**	(29,583,899)
Amounts classified as non-current liabilities	**61,773,449**	100,510,978

Borrowings of the Group with carrying amount of HK$66,939,546,000 (2015 restated: HK$88,740,821,000) bear interest at rates ranging from 3.91% to 8.30% (2015 restated: 3.92% to 11.00%) per annum and are denominated in RMB. At 31 December 2015, borrowings of the Group amounting to HK$1,359,021,000 (restated), which were denominated in US$, were based on London Interbank Offered Rate ("LIBOR") plus a specified margin per annum. Borrowings of the Group amounting to HK$1,825,960,000 (2015 restated: HK$2,195,931,000), which are denominated in GBP, are based on LIBOR plus a specified margin per annum. The remaining borrowings of the Group amounting to HK$27,479,622,000 (2015 restated: HK$37,799,104,000), which are denominated in HK$, are based on HIBOR plus a specified margin per annum or interest-free.

The Group's weighted average borrowing cost excluding the effect of capitalisation of exchange losses of HK$1,303,000,000 (2015 restated: HK$1,160,000,000) is 4.76% (2015 restated: 5.39%) per annum. The borrowings amounting to HK$38,008,620,000 (2015 restated: HK$26,098,214,000) and HK$58,236,508,000 (2015 restated: HK$99,268,478,000) are carried at fixed interest rates and variable interest rates respectively.

Borrowings of the Group with carrying amount of HK$1,169,996,000 (2015 restated: HK$45,809,989,000) are loans due to CITIC Group.

Secured bank and other borrowings of the Group are pledged by certain assets as set out in Note 44.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

35. NOTES PAYABLE

At 31 December 2016 and 2015, the Group issued below 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 at 31 December 2016 *HK$'000*	Carrying amount at 31 December 2016 *HK$'000*	2015 *HK$'000* (Restated)
10 November 2010	US$1,000 (i) (approximately HK$7,750)	100%	5.50% (iv)	10 November 2020	8,386,881	**7,719,219**	7,712,241
15 February 2012	US$750 (i) (approximately HK$5,816)	99.816%	4.875% (iv)	15 February 2017	5,834,406	**5,814,611**	5,806,901
15 November 2012	US$700 (i) (approximately HK$5,425)	99.665%	3.95% (iv)	15 November 2022	5,510,303	**5,385,390**	5,379,536
15 November 2012	US$300 (i) (approximately HK$2,325)	99.792%	5.35% (iv)	15 November 2042	2,404,174	**2,302,735**	2,302,342
29 October 2013	US$500 (i) (approximately HK$3,877)	99.613%	3.375% (iv)	29 October 2018	3,943,491	**3,863,708**	3,856,948
29 October 2013	US$500 (i) (approximately HK$3,877)	99.595%	5.375% (iv)	29 October 2023	4,214,144	**3,851,304**	3,848,313
29 October 2013	US$500 (i) (approximately HK$3,877)	99.510%	6.375% (iv)	29 October 2043	4,535,163	**3,840,523**	3,840,020
8 May 2014	US$550 (i) (approximately HK$4,263)	99.786%	4.25% (iv)	8 May 2019	4,434,734	**4,247,997**	4,241,878
8 May 2014	US$450 (i) (approximately HK$3,488)	99.554%	5.95% (iv)	8 May 2024	3,916,286	**3,461,796**	3,459,002
8 May 2014	US$250 (i) (approximately HK$1,938)	101.132%	4.25% (iv)	8 May 2019	2,015,788	**1,943,865**	1,946,204
8 May 2014	US$250 (i) (approximately HK$1,938)	103.080%	5.95% (iv)	8 May 2024	2,175,714	**1,976,973**	1,981,166
11 June 2014	US$500 (i) (approximately HK$3,876)	99.445%	6.45% (iv)	11 June 2034	4,531,748	**3,837,221**	3,836,048
15 July 2015	EUR600 (i) (approximately HK$5,086)	99.587%	1.75% (iv)	15 July 2019	5,067,925	**4,861,783**	5,039,645
6 November 2015	EUR400 (i) (approximately HK$3,375)	99.541%	1.70% (v)	6 November 2019	3,367,526	**3,239,128**	3,357,810
19 November 2015	RMB7,000 (ii) (approximately HK$8,393)	100%	3.40% (v)	19 November 2021	7,739,194	**7,838,746**	8,393,285
19 November 2015	RMB1,000 (iii) (approximately HK$1,199)	100%	3.85% (v)	19 November 2022	1,142,217	**1,119,821**	1,199,041
9 December 2015	RMB4,000 (ii)(vi) (approximately HK$4,749)	100%	4.80% (v)	9 December 2020	4,479,283	**4,441,334**	4,749,433
15 January 2016	RMB1,000 (ii)(vi) (approximately HK$1,110)	100%	4.40% (v)	15 January 2021	1,119,821	**1,110,333**	–
23 August 2016	RMB6,000 (iii) (approximately HK$6,719)	100%	3.10% (v)	23 August 2026	6,718,925	**6,718,925**	–
						77,575,412	70,949,813
			Less: Amounts classified as current liabilities			**(5,814,611)**	–
			Amounts classified as non-current liabilities			**71,760,801**	70,949,813

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

35. NOTES PAYABLE *(continued)*

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 at 31 December 2016 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 the third year from issue date. The fair values of the notes payable at 31 December 2016 were determined based on the closing market prices of the notes payable 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 the fifth year from issue date. The fair values of the notes payable at 31 December 2016 were determined based on the closing market prices of the notes payable and are within Level 1 of the fair value hierarchy.*

(iv) *Payable semi-annually*

(v) *Payable annually*

(vi) *Issued by the CITIC Acquired Group*

36. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

Deferred tax liabilities/(assets)

	Accelerated tax depreciation	Revaluation of properties	Fair value adjustment on properties	Undistributed earnings of PRC subsidiaries and joint ventures	Other taxable temporary differences	Unrealised profit	Tax loss	Provision for LAT	Other deductible temporary differences	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015, as previously reported	49,399	5,759,375	72,114	388,285	115,880	–	–	(2,838,648)	(129,281)	3,417,124
Acquisition of the CITIC Acquired Group *(Note 3)*	–	157,751	297,602	15,434	–	(165,629)	(226,738)	354,733	(179,828)	253,325
At 1 January 2015, as restated	49,399	5,917,126	369,716	403,719	115,880	(165,629)	(226,738)	(2,483,915)	(309,109)	3,670,449
(Credited)/charged to profit or loss	(66)	1,616,282	–	(10,771)	–	(50,041)	8,558	(227,519)	27,066	1,363,509
Charged to other comprehensive income	–	92,910	–	–	–	–	–	–	6,405	99,315
Disposal of investment properties	–	(66,909)	–	–	–	–	–	–	–	(66,909)
Acquisition/disposal of subsidiaries	–	–	335,087	–	–	–	–	44,000	5,792	384,879
Distributions in specie *(Note 38)*	–	(14,683)	–	–	–	–	–	–	9,807	(4,876)
Exchange realignment	–	(383,455)	(35,029)	(822)	(6,265)	11,722	12,887	124,030	18,696	(258,236)
At 31 December 2015, as restated	**49,333**	**7,161,271**	**669,774**	**392,126**	**109,615**	**(203,948)**	**(205,293)**	**(2,543,404)**	**(241,343)**	**5,188,131**
Charged/(credited) to profit or loss	**–**	**1,848,985**	**(35,254)**	**–**	**98,113**	**7,357**	**79,127**	**(430,260)**	**19,234**	**1,587,302**
Disposal of investment properties	**–**	**(159,416)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(159,416)**
Acquisition/disposal of subsidiaries	**–**	**(198,670)**	**152,927**	**–**	**–**	**–**	**55,721**	**11,539**	**7,154**	**28,671**
Exchange realignment	**–**	**(582,377)**	**(79,771)**	**(778)**	**(18,637)**	**25,296**	**9,064**	**45,974**	**45,884**	**(555,345)**
At 31 December 2016	**49,333**	**8,069,793**	**707,676**	**391,348**	**189,091**	**(171,295)**	**(61,381)**	**(2,916,151)**	**(169,071)**	**6,089,343**

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

36. DEFERRED TAX *(continued)*

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Net deferred tax assets	**(3,767,912)**	(3,622,190)
Net deferred tax liabilities	**9,857,255**	8,810,321
	6,089,343	5,188,131

Under the CIT 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 been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$4,839,364,000 (2015 restated: HK$4,322,536,000) 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 HK$12,993,004,000 (2015 restated: HK$10,879,689,000) 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 HK$6,360,751,000 (2015 restated: HK$5,042,481,000) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

37. GOODWILL

	2016 *HK$'000*	2015 *HK$'000*
Carrying amounts	**64,525**	64,525

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.

38. DISTRIBUTION IN SPECIE

On 23 October 2015, the entire issued share capital of China Overseas Property Holdings Limited ("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 represented 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

38. DISTRIBUTION IN SPECIE *(continued)*

Details of net assets of COPL at the date of distribution in specie are set out below:

Net assets distributed at the date of distribution in specie

	HK$'000
Investment properties	69,834
Property, plant & equipment	43,889
Prepaid lease payments for land	4,478
Interest in an associate	298
Inventories	698
Trade and other receivables	418,091
Deposits and prepayments	20,373
Bank balances and cash	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 in respect of distribution in specie	1,339,723

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

39. ASSETS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES

(a) Assets Held for Sale

In previous years, the Group entered into a sale and purchase 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 RMB1,511 million (equivalent to 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.

At 31 December 2015, a 50% legal interest in Beijing Aocheng was yet to be transferred to the purchaser and the amount attributable to such interest of HK$926,165,000 was 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 transfer of the 50% legal interest was completed with a cash proceed of HK$926,165,000 received in December 2016.

(b) Disposal of Subsidiaries

For the year ended 31 December 2016

In addition to the sale of a portfolio of properties to the CITIC Sellers as disclosed in note 3(a) to the financial statements, the Group has also completed the following disposals to various related parties of the Group:

- On 11 May 2016, the Group entered into a sale and purchase agreement with Viewtime Limited, a wholly-owned subsidiary of COHL, which is the immediate holding company of the Company, to dispose of the entire issued share capital and shareholder's loan of Treasure Trinity Limited, which indirectly held the Hoover Towers (Tower V) in Hong Kong. The total consideration was HK$507,367,000. The disposal was completed on 18 May 2016.

- On 11 May 2016, the Group entered into a sale and purchase agreement with Total Joy Global Limited, a wholly-owned subsidiary of China State Construction International Holdings Limited, which is a listed fellow subsidiary of the Company, to dispose of the entire issued share capital and shareholder's loan of Precious Deluxe Global Limited, which indirectly held the China Overseas Building in Hong Kong. The total consideration was HK$4,825,147,000. The disposal was completed on 24 June 2016.

- On 12 October 2016, the Group entered into a sale and purchase agreement with COGO, a listed associate of the Company, to dispose of the entire issued share capital of Best Beauty Investments Limited ("Best Beauty"). Best Beauty and its subsidiaries (together the "COGO Disposal Group") have an interest in a property portfolio mainly comprises residential property development projects located in third-tier cities in the PRC. The total consideration was RMB3,518,557,000 (equivalent to HK$4,163,973,000). COGO has also undertaken to procure the COGO Disposal Group to repay loans due to the Group of HK$8,651,425,000 at 31 December 2016 within one year after the completion of the disposal (Note 27). The disposal was completed on 29 December 2016.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

39. ASSETS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of Subsidiaries *(continued)*

For the year ended 31 December 2016 *(continued)*

The total net assets of the disposed subsidiaries at the date of disposal were as follows:

	HK$'000
Investment properties	3,731,225
Property, plant and equipment	1,518,942
Stock of properties	16,537,838
Trade and other receivables	727,876
Bank balances and cash	2,277,189
Other assets	1,330,593
Trade and other payables	(12,084,705)
Pre-sales, rental and other deposits	(3,102,298)
Deferred tax liabilities	(199,291)
Bank and other borrowings	(4,879,652)
Other liabilities	(1,777,982)
Net assets	4,079,735
Non-controlling interests	(106,738)
	3,972,997
Gain on disposal of subsidiaries	10,175,939
Considerations	14,148,936

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	HK$'000
Cash considerations received during the year	7,406,768
Less: Cash and cash equivalents disposed	(2,277,189)
	5,129,579

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

39. ASSETS HELD FOR SALE AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of Subsidiaries *(continued)*

For the year ended 31 December 2015 (restated)

During the year ended 31 December 2015, the Group disposed of certain PRC subsidiaries to independent third parties. The total net assets of these disposed subsidiaries at the date of disposal were as follows:

	HK$'000 (Restated)
Stock of properties	2,509,861
Trade and other receivables	3,751,425
Bank balances and cash	628,531
Other assets	331,418
Trade and other payables	(3,717,488)
Pre-sales deposits	(847,860)
Bank and other borrowings	(909,368)
Other liabilities	(40,778)
Net assets	1,705,741
Non-controlling interests	(16,930)
	1,688,811
Gain on disposal of subsidiaries	817,120
Considerations	2,505,931

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	HK$'000 (Restated)
Cash considerations received during the year	2,143,113
Less: Cash and cash equivalents disposed	(628,531)
	1,514,582

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

40. ACQUISITION OF SUBSIDIARIES

(a) For the year ended 31 December 2016

On 21 April 2016, as part of the reorganisation of the CITIC Acquired Group prior to the completion of the CITIC Assets Acquisition, the CITIC Acquired Group acquired the remaining 80% equity interest in Huijin No.1 at a cash consideration of RMB15,098,000 (equivalent to HK$17,867,000). Huijin No.1 held 100% equity interest in Tianjin CITIC Tianjiahu Investment Co., Ltd. ("Tianjiahu"), which is engaged in property development business in Tianjin, PRC. Upon the completion of the acquisition, Huijin No.1 was dissolved and Tianjiahu became a wholly-owned subsidiary of the CITIC Acquired Group.

On 26 April 2016, as part of the reorganisation of the CITIC Acquired Group prior to the completion of the CITIC Assets Acquisition, the CITIC Acquired Group acquired the remaining 60% equity interest in Huijin No.3 at a cash consideration of RMB314,479,000 (equivalent to HK$372,165,000). Huijin No.3 held 100% equity interest in Qingdao Lianheng Real Estate Co., Ltd., Qingdao Lianming Real Estate Co., Ltd. and Qingdao Shaohai Real Estate Co., Ltd. (collectively referred to as "Qingdao Forest Lake Project Companies"), which are engaged in property development business in Qingdao, PRC. Upon the completion of the acquisition, Huijin No.3 was dissolved and Qingdao Forest Lake Project Companies became wholly-owned subsidiaries of the CITIC Acquired Group.

As a result of the above acquisitions, goodwill of HK$1,903,104,000, being the difference between the consideration and the fair values of identifiable net liabilities assumed, was arisen. However, management of the CITIC Acquired Group considered that such goodwill is not expected to generate any economic benefit or cash inflow in the future. As such, impairment losses on the entire goodwill were recognised in the consolidated financial statements immediately upon the completion of the above acquisitions.

The following table summarised the consideration for the acquisitions as mentioned above, the fair value of 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	7,729
Stock of properties	11,173,066
Trade and other receivables, and prepayments	501,002
Other assets	129,498
Bank balances and cash	315,620
Trade and other payables	(3,848,352)
Pre-sales, rental and other deposits	(778,720)
Bank and other borrowings	(8,850,872)
Deferred tax liabilities	(152,927)
Other liabilities	(9,116)
Total identifiable net liabilities assumed	(1,513,072)
Impairment losses in respect of goodwill	1,903,104
Cash consideration paid	390,032
Net cash outflow arising from acquisition:	
Cash consideration paid	(390,032)
Cash and cash equivalents acquired	315,620
	(74,412)

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

40. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) For the year ended 31 December 2016 *(continued)*

Tianjiahu and Qingdao Forest Lake Project Companies had contributed to the Group's revenue and profit amounting to HK$1,970,619,000 and HK$135,049,000 respectively for the year ended 31 December 2016 since the date of acquisition.

Had the acquisition of Tianjiahu and Qingdao Forest Lake Project Companies been completed on 1 January 2016, the Group's revenue and profit for the year ended 31 December 2016 would have been HK$164,366,236,000 and HK$37,000,591,000 respectively.

(b) For the year ended 31 December 2015 (restated)

On 30 April 2015, CITIC Shenzhen (Group) Co., Ltd. and CITIC Real Estate (Hong Kong) Development Co., Ltd., which are both wholly-owned subsidiaries of the CITIC Acquired Group, purchased the 100% equity interests in Qingdao Bolai Property Co., Limited ("Qingdao Bolai") and Hong Kong Tianranju Holdings Limited ("Hong Kong Tianranju") at a total cash consideration of RMB649,428,000 (equivalent to HK$823,312,000) and HK$31,056,000, respectively, from Peking University Resources (Holdings) Company Limited, a third party. Related shareholder's loans of Qingdao Bolai and Hong Kong Tianranju of RMB1,723,678,000 (equivalent to HK$2,185,592,000) were also acquired as part of the acquisition. The total consideration at the acquisition date was HK$854,368,000.

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 RMB50,000,000 (equivalent to 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, were mainly engaged in property management business. Following the spin-off transaction of COPL on 23 October 2015 (Note 38), the entire equity interests of COPL 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 acquisitions as mentioned above, the fair value of assets acquired and liabilities assumed at the acquisition date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

40. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) For the year ended 31 December 2015 (restated) *(continued)*

	Fair value on acquisition *HK$'000* (Restated)
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	795
Stock of properties	4,172,060
Intangible assets	71
Inventories	100
Trade and other receivables, and prepayments	32,782
Amount due from a related company (note)	66,923
Bank balances and cash	59,736
Trade and other payables	(2,418,493)
Receipts in advance and deposits	(7,390)
Tax liabilities	(518)
Deferred tax liabilities	(341,289)
Bank and other borrowings	(202,840)
Non-controlling interests	(280,268)
Total identifiable net assets acquired	1,081,669
Gain on acquisition of subsidiaries	(164,140)
Cash consideration paid	917,529
Net cash outflow arising from acquisition:	
Cash consideration paid	(917,529)
Cash and cash equivalents acquired	59,736
Repayment of borrowings due to the former shareholder	(2,185,592)
	(3,043,385)

Note: The amount due from a related company was settled on 31 May 2015.

Qingdao Bolai, Hong Kong Tianranju and COGOPM Holding had contributed to the Group's revenue and loss amounting to HK$9,168,000 and HK$51,594,000 respectively for the year ended 31 December 2015 since the date of acquisition.

Had the acquisition of Qingdao Bolai, Hong Kong Tianranju and COGOPM Holding been completed on 1 January 2015, the Group's revenue and profit for the year ended 31 December 2015 would have been HK$169,570,965,000 and HK$35,362,602,000 respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

41. OPERATING LEASE COMMITMENTS

The Group as Lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of HK$54,910,652,000 (2015 restated: HK$51,668,475,000) and HK$749,536,000 (2015 restated: HK$2,218,851,000) respectively, were let out under operating leases.

Property rental income earned during the year is HK$2,137,167,000 (2015 restated: HK$2,012,668,000), of which HK$1,618,129,000 (2015 restated: HK$1,883,444,000) 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:

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Within one year	**1,749,113**	1,785,950
In the second to fifth year inclusive	**2,943,146**	2,896,193
After five years	**1,304,702**	1,572,318
	5,996,961	6,254,461

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:

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Within one year	**49,487**	112,432
In the second to fifth year inclusive	**63,323**	178,092
After five years	**–**	46,863
	112,810	337,387

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 (2015 restated: two to six years).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

42. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments not provided for in the consolidated financial statements:

Capital expenditure in respect of investment properties:

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Contracted but not provided for	**1,765,653**	4,860,392

43. CONTINGENT LIABILITIES

At the end of the reporting period, the financial guarantees were follows:

(a) Guarantees given by the Group to banks in respect of credit facilities granted to:

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Associates		
– Maximum	**2,082,867**	5,063,112
– Utilised	**2,033,595**	5,063,112
Joint ventures		
– Maximum	**709,574**	1,579,714
– Utilised	**709,574**	1,579,714

(b) At 31 December 2016, the Group had counter indemnities amounted to HK$2,666,381,000 (2015 restated: HK$977,228,000) for guarantees issued in respect of certain construction contracts undertaken by the Group.

(c) At 31 December 2016, the Group provided guarantees amounted to HK$42,452,979,000 (2015 restated: HK$31,658,862,000) 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

44. PLEDGE OF ASSETS

At the ended of the reporting period, certain assets of the Company's subsidiaries have been pledged to secure the bank and other borrowings of the Company's subsidiaries and a fellow subsidiary. The carrying values of the pledged assets at 31 December 2016 and 2015 were as follows:

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Property, plant and equipment	–	243,760
Stock of properties	**340,145**	18,589,019
Investment properties	**3,905,128**	6,242,869
Restricted bank deposits	–	290,219
Lease prepayments	–	67,715
Investment in a subsidiary	–	119,360
	4,245,273	25,552,942

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

45. RELATED PARTY TRANSACTIONS

(a) In addition to those disclosed in other sections of the financial statements, the following material related party transactions have been entered into by the Group during the year:

Nature of transaction	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Fellow subsidiaries			
Property development project construction fee	*(a)*	**2,687,064**	3,953,306
Rental income	*(b)*	**11,695**	15,680
Rental expenses	*(b)*	**3,665**	–
Insurance fee	*(c)*	**241**	1,030
Security income	*(a)*	**–**	14,785
Heating pipes connection service fee	*(a)*	**33,175**	35,581
Building design consultancy income	*(c)*	**–**	2,346
Property management fee	*(f)*	**269,275**	124,937
Engineering service fee	*(f)*	**14,885**	10,573
Management fee income	*(c)*	**–**	8,285
Holding companies			
Interest expense	*(g)*	**–**	221,720
Associates			
Royalty income	*(e)*	**172,863**	165,170
Rental expenses	*(b)*	**16,047**	17,431
Property management income	*(f)*	**–**	7,431
Interest income	*(d)*	**69,458**	289,178
Interest expense	*(d)*	**–**	23,935
Joint ventures			
Interest income	*(d)*	**237,678**	63,518
Interest expense	*(d)*	**–**	4,988
Property management income	*(f)*	**–**	17,061

Notes:

(a) *Property development project construction fee, security income and heating pipes connection service fee are charged 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 rental expenses are charged in accordance with respective tenancy agreements.*

(c) *Insurance fee, building design consultancy income and management fee income are charged in accordance with respective contracts.*

(d) *Interest income and interest expense are charged at interest rates as specified in Notes 22 and 27 on the outstanding amounts.*

(e) *Royalty income is charged at annual fee as specified in the contracts.*

(f) *Property management fee, property management income and engineering service fee are charged at rates in accordance with respective contracts.*

(g) *The loans carry interest ranging from 5.04% to 5.54% per annum. 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 2016

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 were as follows:

	2016 *HK$'000*	2015 *HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**34,334**	38,099
Bonus	**103,869**	106,629
Mandatory Provident Fund contribution	**309**	326
	138,512	145,054

The emoluments of other members of key management of the Group were within the following bands:

	2016	2015
Below HK$1,000,000	**–**	2
HK$1,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$5,000,000	**2**	4
HK$5,000,001 to HK$7,500,000	**7**	3
HK$7,500,001 to HK$10,000,000	**6**	5
HK$10,000,001 to HK$12,500,000	**–**	1
	16	17

The remuneration of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

45. RELATED PARTY TRANSACTIONS *(continued)*

(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 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 material to the Group.

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 of the Company are of the opinion that other than those disclosed in section (a) above, the transactions with State-controlled Entities are not material 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 the consolidated statement of financial position and Notes 22, 27, 28, 31, 32 and 39.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2016 HK$'000	2015 HK$'000
Non-current Assets			
Property, plant and equipment		**2,859**	4,717
Investments in subsidiaries		**1,689,525**	2,375,278
Amounts due from subsidiaries		**15,282,796**	9,949,481
		16,975,180	12,329,476
Current Assets			
Stock of properties		**1,163**	1,328
Other receivables		**48,122**	74,335
Deposits and prepayments		**38,997**	35,248
Amounts due from subsidiaries		**132,858,711**	93,472,563
Tax prepaid		**118**	118
Bank balances and cash		**17,890,558**	36,729,264
		150,837,669	130,312,856
Current Liabilities			
Other payables		**49,019**	49,132
Other deposits		**167**	171
Amounts due to subsidiaries		**44,988,700**	37,423,772
Tax liabilities		**–**	18,643
Bank borrowings – due within one year		**4,738,295**	4,738,295
Other financial liabilities		**380,639**	378,374
		50,156,820	42,608,387
Net Current Assets		**100,680,849**	87,704,469
Total Assets Less Current Liabilities		**117,656,029**	100,033,945
Capital and Reserves			
Share capital		**90,420,438**	62,434,116
Reserves	*Note (a)*	**(344,220)**	4,833,542
Total Equity		**90,076,218**	67,267,658
Non-current Liabilities			
Bank borrowings – due after one year		**27,043,678**	32,041,073
Other financial liabilities		**536,133**	725,214
		27,579,811	32,766,287
		117,656,029	100,033,945

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2017 and were signed on its behalf by:

Xiao Xiao	**Yan Jianguo**
DIRECTOR	*DIRECTOR*

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note (a): Reserves of the Company

	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2015	1,859,016	4,023,716	5,882,732
Profit and total comprehensive income for the year	(2,963,220)	10,426,998	7,463,778
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	(1,104,204)	5,937,746	4,833,542
Profit and total comprehensive income for the year	(7,401,386)	10,101,133	2,699,747
2015 final dividend paid	–	(4,042,838)	(4,042,838)
2016 interim dividend paid	–	(3,834,671)	(3,834,671)
At 31 December 2016	**(8,505,590)**	**8,161,370**	**(344,220)**

The Company's reserves available for distribution to shareholders at 31 December 2016 represents the retained profits of HK$8,161,370,000 (2015: HK$5,937,746,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is the particulars of the principal subsidiaries at 31 December 2016 which, in the opinion of the directors of the Company, principally affect 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 ordinary share HK$1	–	100	Property development
Carmelite Riverside London S.a.r.l.[vii]	15,000 shares of GBP1 each	–	100	Property investment
China Overseas Finance (Cayman) II Limited[v]	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) III Limited[v]	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) IV Limited[v]	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) V Limited[v]	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VI Limited[v]	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Land International (Cayman) Limited[v]	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Land International II (Cayman) Limited[v]	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Property Limited	100 ordinary shares HK$1,000	100	–	Investment holding, property consultancy and real estate agency
China Overseas (Zhong Guo) Limited	5,000,000 ordinary shares HK$50,000,000	–	100	Investment holding
Chung Hoi Finance Limited	500,000 ordinary shares HK$5,000,000	100	–	Loan financing, investment holding and security investments

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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
Gain Regent Company Limited	2 ordinary shares HK$2	–	100	Property development
Goldwell Development Limited	100 ordinary shares HK$100	–	100	Property development and investment
Great Fortune Property Limited(viii)	48,100,000 shares of GBP1 each	–	100	Property investment
Great Sky Property Investment Company Limited(vii)	MOP25,000	–	100	Property development
Longcross Limited	30,370,000 ordinary shares HK$30,370,000 404,552,883 non-voting deferred shares HK$404,552,883	–	100	Property investment
Macyat Limited	10,000 ordinary shares HK$10,000	–	100	Property development
Maxdo Investments Limited	10,000,000 ordinary shares HK$10,000,000	–	100	Investment holding
Maxjet Company Limited	10 ordinary shares HK$10	–	100	Property development
Omar Property Development Company Limited(vi)	MOP26,000	–	85	Property development
One Finsbury Circus London PropCo S.a.r.l.(vi)	12,024 shares of GBP1 each	–	100	Property investment
Wealth Join Development Limited	1 ordinary share HK$1	–	100	Property development
中海發展(上海)有限公司(ii)	US$17,000,000	–	100	Property development
上海新海匯房產有限公司(iii)	RMB40,000,000	–	99.5	Property development
上海中海海怡房地產有限公司(iv)	RMB20,000,000	–	100	Property development
上海海創房地產有限公司(iv)	RMB10,000,000	–	100	Property development
上海中建投資有限公司(iv)	RMB450,000,000	–	51	Property investment

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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
大連中海地產有限公司(iv)	RMB20,000,000	–	100	Property development
大連中海興業房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
中海新海匯(大連)業有限公司(iv)	RMB20,000,000	–	100	Property development
大連中海新城置業有限公司(iv)	RMB378,520,000	–	100	Property development
中海鼎盛(西安)房地產有限公司(ii)	RMB2,000,000,000	–	100	Property development
西安中海振興房地產開發有限公司(iv)	RMB10,000,000	–	100	Property development
西安中建地產有限公司(iv)	RMB50,000,000	–	100	Property development
中海海潤(蘇州)房地產有限公司(iv)	RMB30,000,000	–	100	Property development
中海海納(蘇州)房地產有限公司(iv)	RMB445,000,000	–	100	Property development
寧波中海創城有限公司(iv)	RMB1,800,000,000	–	100	Property development
寧波中海海興置業有限公司(iv)	RMB20,000,000	–	100	Property development
天津中海海盛地產有限公司(iv)	RMB3,540,000,000	–	100	Property development
天津中海海華地產有限公司(iv)	RMB100,000,000	–	90	Property development
北京中海金石房地產開發有限公司(iv)	RMB10,000,000	–	100	Property development
北京中海新城置業有限公司(iv)	RMB100,000,000	–	100	Property development
北京智地願景房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
北京仁和燕都房地產開發有限公司(iv)	RMB40,000,000	–	100	Property development
北京中建興華房地產開發有限公司(iv)	RMB10,000,000	–	80	Property development
北京慧眼置業有限公司(iv)	RMB25,000,000	–	80	Property development
佛山中海千燈湖房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
佛山中海環宇城房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
佛山中海嘉益房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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
佛山海裕房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
瀋陽中海興業房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
瀋陽中海新海匯置業有限公司(iv)	RMB20,000,000	–	100	Property development
中海地產(瀋陽)有限公司(iv)	US$199,600,000	–	100	Property development
瀋陽中海嘉業房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
瀋陽中海鼎業房地產開發有限公司(iv)	US$290,000,000	–	100	Property development
杭州中海宏鯤房地產有限公司(iv)	RMB500,000,000	–	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(iv)	RMB100,000,000	–	70	Investment holding
長沙中建梅溪房地產開發有限公司(iv)	RMB50,000,000	–	95	Property development
長春中海地產有限公司(iii)	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(iv)	RMB20,000,000	–	100	Property development
長春海成房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
青島中海海灣置業有限公司(iv)	RMB10,000,000	–	100	Property development
青島中海海岸置業有限公司(iv)	RMB500,000,000	–	100	Property development
南昌中海金鈺地產有限公司(iv)	RMB10,000,000	–	100	Property development
重慶中工建設有限公司(iv)	RMB380,000,000	–	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(iv)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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
重慶安喬置業有限公司(iv)	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(iv)	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(iv)	RMB20,000,000	–	100	Property development
珠海市永福通房地產開發有限公司	RMB20,000,000	–	100	Property development
廣逸房地產開發(珠海)有限公司(iii)	HK$1,200,000,000	–	100	Property development
珠海市海利達諮詢服務有限公司(iv)	RMB100,000	–	100	Property development
珠海市嘉燁房地產開發有限公司(iv)	RMB10,000,000	–	100	Property development
中海地產集團有限公司(ii)	RMB10,000,000,000	–	100	Property development and investment and investment holding
深圳中海地產有限公司(iii)	HK$50,000,000	–	100	Property development
深圳市中海凱驪酒店管理有限公司(iv)	RMB5,000,000	–	100	Hotel management
深圳市毅駿房地產開發有限公司(iv)	RMB12,500,000	–	80	Property development
海口中海興業房地產開發有限公司(iv)	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
廈門中海海怡地產有限公司(iv)	RMB10,000,000	–	100	Property development
昆明中海房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
雲南中海城投房地產開發有限公司(iv)	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(iv)	RMB10,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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(iv)	RMB10,000,000	–	100	Property development
廣州毅源房地產開發有限公司(iv)	RMB10,000,000	–	90	Property development
廣州世佳房地產開發有限公司(iv)	RMB10,000,000	–	90	Property development
廣州荔安房地產開發有限公司(iv)	RMB2,800,000,000	–	100	Property development
廣州荔駿房地產開發有限公司(iv)	RMB2,800,000,000	–	100	Property development
廣州荔旭房地產開發有限公司(iv)	RMB1,300,000,000	–	100	Property development
廣州荔璟房地產開發有限公司(iv)	RMB1,350,000,000	–	100	Property development
濟南中海地產投資有限公司(iv)	RMB50,000,000	–	100	Property development
濟南中海興業房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
濟南中海城房地產開發有限公司(iv)	RMB30,000,000	–	100	Property development
哈爾濱中海地產有限公司(iv)	RMB20,000,000	–	100	Property development
哈爾濱中海龍祥房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
太原冠澤置業有限公司(iv)	RMB200,000,000	–	100	Property development
福州中海地產有限公司(iv)	RMB30,000,000	–	100	Property development
無錫中海太湖新地置業有限公司(iv)	RMB10,200,000	–	51	Property development
無錫中海海潤置業有限公司(iv)	RMB10,200,000	–	51	Property development
鄭州海創房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
新疆中海地產有限公司(iv)	RMB100,000,000	–	60	Property development
北京中信房地產有限公司(iv)	RMB50,000,000	–	100	Property development
北京中信新城房地產有限公司(iv)	RMB500,000,000	–	80	Property development
北京國泰飯店有限公司(iv)	RMB96,536,700	–	100	Hotel and services apartment operation

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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
北京中信新城逸海房地產開發有限公司[(iv)]	RMB50,000,000	–	100	Property development
大連中信海港投資有限公司[(iv)]	RMB250,000,000	–	80	Property development
大連中信房地產開發有限公司[(iv)]	RMB20,000,000	–	100	Property development
中信房地產煙台有限公司[(iv)]	RMB26,430,000	–	100	Property development
中信華南(集團)有限公司[(iv)]	RMB472,900,000	–	100	Property development
中信地產深圳投資有限公司[(iv)]	RMB20,000,000	–	100	Property development
中信深圳(集團)有限公司[(iv)]	RMB1,500,000,000	–	100	Property development
中信地產惠州投資有限公司[(iv)]	RMB20,000,000	–	100	Property development
中信地產海南投資有限公司[(iv)]	RMB20,000,000	–	100	Property development
中信華南(集團)成都有限公司[(iv)]	RMB50,000,000	–	100	Property development
大連匯港置業有限公司[(iv)]	RMB50,000,000	–	80	Property development
北京信有成投資有限公司[(iv)]	RMB2,000,000	–	100	Property development
上海中信華南房地產有限公司[(iv)]	RMB20,000,000	–	100	Property development
湖南省中信控股有限公司[(iv)]	RMB100,000,000	–	100	Property development
蘇州中信投資有限公司[(iv)]	RMB200,000,000	–	100	Property development
中信地產珠海投資有限公司[(iv)]	RMB100,000,000	–	100	Property development
中信重慶投資有限公司[(iv)]	RMB20,000,000	–	100	Property development
中信地產成都有限公司[(iv)]	RMB100,000,000	–	98	Property development
廣州市東港房地產開發有限公司[(iv)]	RMB8,000,000	–	55	Property development
中信深圳集團房地產開發有限公司[(iv)]	RMB50,000,000	–	95	Property development
佛山市南海中星暉房地產開發有限公司[(iv)]	RMB30,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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
中信前海(深圳)投資有限公司(iv)	RMB100,000,000	–	67	Property development
深圳市信航城資產管理有限公司(iv)	RMB5,000,000	–	100	Property development
青島博萊置業有限公司(iv)	RMB60,000,000	–	100	Property development
天津中信翔達房地產開發有限公司(iv)	RMB30,000,000	–	70	Property development
深圳市雲龍城投資發展有限公司(iv)	RMB100,000,000	–	80	Property development
深圳中信航城房地產有限公司(iv)	RMB100,000,000	–	45	Property development
湖南省中信城城市廣場投資有限公司(iv)	RMB100,000,000	–	100	Property development
湖南省中信置業開發有限公司(iv)	RMB30,000,000	–	100	Property development
成都信蓉投資有限公司(iv)	RMB20,000,000	–	100	Property development
成都信蜀投資有限公司(iv)	RMB40,000,000	–	100	Property development
四川金水灣投資有限公司(iv)	RMB50,000,000	–	60	Property development
中信重慶置業開發有限公司(iv)	RMB50,000,000	–	100	Property development
中信保利達地產(天津)有限公司(iv)	US$49,500,000	–	51	Property development
成都信勤置業有限公司(iv)	RMB20,000,000	–	100	Property development
成都信新置業有限公司(iv)	RMB200,000,00	–	100	Property development
青島博富置業有限公司(iii)	RMB863,975,000	–	81.48	Property development
中信泰富萬寧發展有限公司(iv)	US$25,000,000	–	100	Property development
中信泰富萬寧(聯合)開發有限公司(iv)	RMB100,000,000	–	80	Property development
中信泰富萬寧發展有限公司(iv)	US$25,000,000	–	100	Property development
中信泰富萬寧(聯合)開發有限公司(iv)	RMB100,000,000	–	80	Property development
萬寧仁信發展有限公司(iv)	US$100,000,000	–	100	Property and tourism development

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

47. 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
萬寧仁和發展有限公司(iv)	US$206,200,000	–	99.9	Property development and hotel operation
萬寧金信發展有限公司(iv)	US$53,200,000	–	99.9	Property development
中信泰富萬寧瑞安發展有限公司(iv)	US$86,000,000	–	99.9	Property development
紀亮(上海)房地產開發有限公司(iv)	US$79,600,000	–	100	Property development
上海老西門新苑置業有限公司(iv)	RMB2,500,000	–	100	Property development
上海珠街閣房地產開發有限公司(iv)	US$161,500,000	–	100	Property development

(i) Incorporated in the British Virgin Islands
(ii) Foreign investment enterprise registered in the PRC
(iii) Joint stock limited company established in the PRC
(iv) Limited liability company registered in the PRC
(v) Incorporated in the Cayman Islands
(vi) Incorporated in Macau
(vii) Incorporated in Luxemberg
(viii) 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, 中海地產集團有限公司 and 中信房地產集團有限公司, 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, RMB14,000,000,000 and RMB50,000,000 notes payable (Note 35), respectively.

Five Year Financial Summary

For the year ended 31 December 2016

(A) CONSOLIDATED RESULTS

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Note)	(Restated)	(Restated)	(Restated)	
Revenue	68,092,642	125,973,434	164,654,215	169,561,797	**164,068,528**
Business tax	(3,596,065)	(6,679,725)	(9,026,503)	(9,222,727)	**(5,351,547)**
Net revenue	64,496,577	119,293,709	155,627,712	160,339,070	**158,716,981**
Operating profit	27,356,443	34,036,381	49,226,431	50,553,590	**57,905,305**
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	434,141	1,143,212	650,382	408,425	**476,682**
Joint ventures	2,406,055	3,090,051	512,786	650,333	**775,770**
Finance costs	(375,172)	(2,300,959)	(2,635,748)	(2,757,312)	**(2,055,956)**
Profit before tax	29,821,467	37,426,861	47,753,851	51,368,001	**57,101,801**
Income tax expenses	(10,554,973)	(12,243,898)	(18,638,990)	(15,953,805)	**(18,711,025)**
Profit for the year	19,266,494	25,182,963	29,114,861	35,414,196	**38,390,776**
Attributable to:					
Owners of the Company	19,125,056	24,837,497	28,682,784	34,643,211	**37,020,638**
Non-controlling interests	141,438	345,466	432,077	770,985	**1,370,138**
	19,266,494	25,182,963	29,114,861	35,414,196	**38,390,776**

Note: For presentation purpose, the consolidated results for the year ended 31 December 2012 were not restated in respect of the CITIC Assets Acquisition.

Five Year Financial Summary (continued)

For the year ended 31 December 2016

(B) CONSOLIDATED NET ASSETS

	At 31 December				
	2012 *HK$'000* *(Note)*	2013 *HK$'000* (Restated)	2014 *HK$'000* (Restated)	2015 *HK$'000* (Restated)	**2016** ***HK$'000***
Non-current assets					
Investment properties	29,411,693	41,656,923	55,861,441	65,467,036	**67,093,181**
Deposits for acquisition of investment properties	–	–	–	166,555	**–**
Property, plant and equipment	1,072,567	4,504,812	4,457,116	4,128,129	**3,886,507**
Prepaid lease payments for land	161,996	912,184	859,017	1,483,302	**567,873**
Interests in associates	5,004,666	6,268,614	6,563,700	6,025,552	**5,512,064**
Interests in joint ventures	13,871,672	12,405,695	12,339,637	11,883,616	**10,526,289**
Investments in syndicated property project companies	18,369	18,907	20,873	24,233	**24,212**
Available-for-sale investments	44,386	2,499,429	2,467,369	2,310,662	**147,211**
Amounts due from associates	–	1,751,650	2,455,571	4,998,094	**2,728,181**
Amounts due from joint ventures	5,317,039	3,602,788	2,508,588	2,693,588	**2,058,017**
Amounts due from CITIC Group	–	127,189	1,542,616	4,277,386	**–**
Other financial assets	51,436	68,179	67,249	–	**–**
Goodwill	109,021	109,021	109,021	64,525	**64,525**
Deferred tax assets	2,189,580	3,424,821	3,593,121	3,622,190	**3,767,912**
	57,252,425	77,350,212	92,845,319	107,144,868	**96,375,972**
Current assets	241,763,261	452,133,396	463,042,142	475,103,225	**474,913,305**
Total assets	299,015,686	529,483,608	555,887,461	582,248,093	**571,289,277**
Non-current liabilities					
Bank and other borrowings – due after one year	(45,697,041)	(89,099,309)	(78,327,240)	(100,510,978)	**(61,773,449)**
Notes payable – due after one year	(21,147,701)	(32,688,088)	(48,177,442)	(70,949,813)	**(71,760,801)**
Amounts due to non-controlling shareholders	(2,335,595)	(1,078,734)	(1,321,743)	(1,238,436)	**(869,939)**
Deferred tax liabilities	(3,722,688)	(6,301,672)	(7,263,570)	(8,810,321)	**(9,857,255)**
	(72,903,025)	(129,167,803)	(135,089,995)	(181,509,548)	**(144,261,444)**
Current liabilities	(135,223,552)	(267,572,080)	(263,608,523)	(185,159,018)	**(199,604,474)**
Total liabilities	(208,126,577)	(396,739,883)	(398,698,518)	(366,668,566)	**(343,865,918)**
Net assets	90,889,109	132,743,725	157,188,943	215,579,527	**227,423,359**
Equity attributable to Owners of the Company	90,574,743	129,145,204	151,415,880	209,564,281	**222,248,442**
Non-controlling interests	314,366	3,598,521	5,773,063	6,015,246	**5,174,917**
	90,889,109	132,743,725	157,188,943	215,579,527	**227,423,359**

Note: For presentation purpose, the consolidated net assets at 31 December 2012 were not restated in respect of the CITIC Assets Acquisition.

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