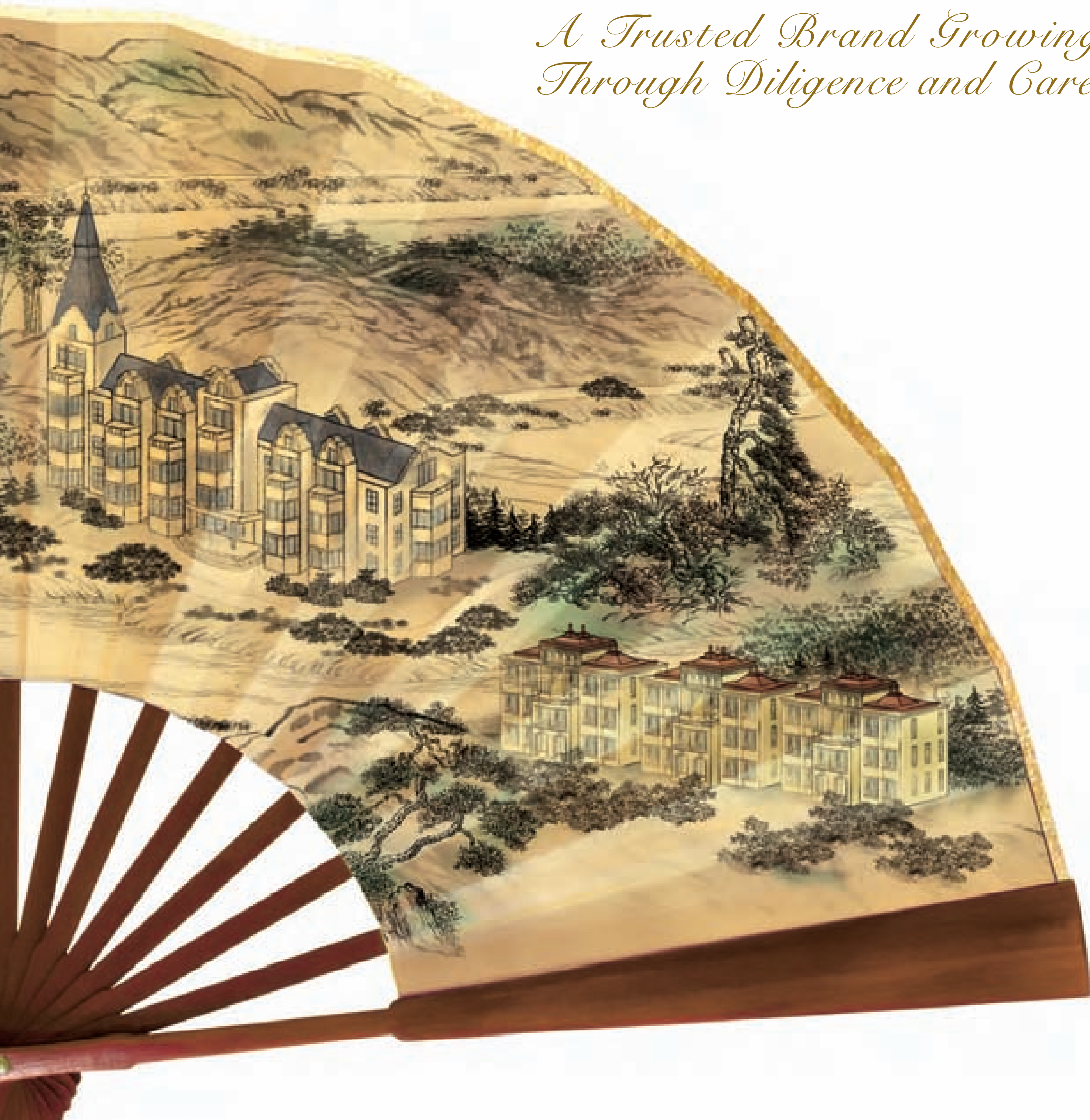
中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock code: 00688

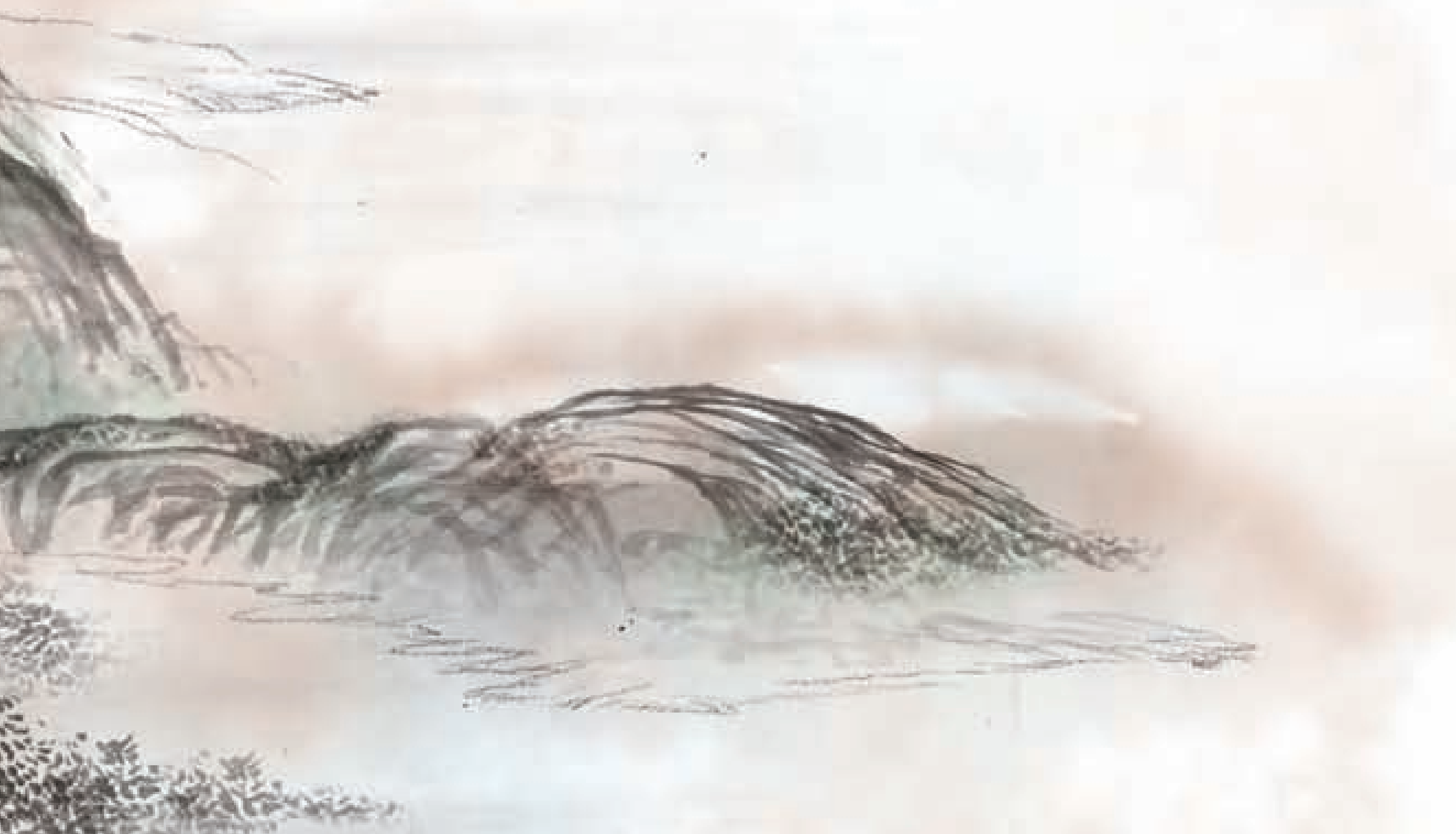
1992-2012
中國海外發展上市20年
00688.HK

A Trusted Brand Growing Through Diligence and Care



Annual Report 2012

Contents



Board of Directors and Committees

CHAIRMAN

Kong Qingping

EXECUTIVE DIRECTORS

(see notes below)

Hao Jian Min — *Vice Chairman and Chief Executive Officer*

Xiao Xiao — *Vice Chairman*

Dong Daping

Nip Yun Wing

Luo Liang

NON-EXECUTIVE DIRECTOR

Zheng Xuexuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

(see notes below)

Li Kwok Po, David

Lam Kwong Siu

Wong Ying Ho, Kennedy

Fan Hsu Lai Tai, Rita

AUTHORISED REPRESENTATIVES

Kong Qingping

Hao Jian Min

Xiao Xiao — *(Alternate authorised representative to Hao Jian Min)*

Nip Yun Wing — *(Alternate authorised representative to Kong Qingping)*

AUDIT COMMITTEE

(see notes below)

Li Kwok Po, David*

Lam Kwong Siu

Wong Ying Ho, Kennedy

Fan Hsu Lai Tai, Rita

REMUNERATION COMMITTEE

(see notes below)

Wong Ying Ho, Kennedy*

Li Kwok Po, David

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

NOMINATION COMMITTEE

(see notes below)

Fan Hsu Lai Tai, Rita*

Li Kwok Po, David

Lam Kwong Siu

Wong Ying Ho, Kennedy

* *Committee Chairman*

Notes:

The following changes, as announced on 18 March 2013, be effected from 19 March 2013:

(1) Resignation of Mr. Dong Daping as an executive director of the Company;

(2) Appointment of Mr. Guo Yong as an executive director of the Company;

(3) Appointment of Mr. Kan Hongbo as an executive director of the Company;

(4) Resignation of Dr. Li Kwok Po, David as an independent non-executive director and consequently would cease to be chairman and member of the Audit Committee, member of the Nomination Committee and Remuneration Committee of the Company; and

(5) Appointment of Li Man Bun, Brian David as an independent non-executive director, chairman and member of the Audit Committee, member of the Nomination Committee and the Remuneration Committee of the Company.

Corporate and Shareholders' Information

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

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

Legal Advisor

Mayer Brown JSM

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Bankers (In Alphabetical Order)

Agricultural Bank of China Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
The Bank of East Asia, Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Ltd.
Industrial and Commercial Bank of China (Asia) Ltd.
Sumitomo Mitsui Banking Corporation

Shareholders' Information

Share Listing

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

Stock Code

Shares

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

Bond

		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 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.

Investor Relations

For any enquiries, please contact:
Corporate Communications Department
Telephone : (852) 2823 7888
Facsimile : (852) 2529 9211
E-mail : coli.ir@cohl.com

Public Relations

For any enquiries, please contact:
Corporate Communications Department
Telephone : (852) 2823 7888
Facsimile : (852) 2529 9211
E-mail : coli.pr@cohl.com

Financial Calendar

Interim results announcement	:	10 August 2012
Interim dividend and special dividend paid	:	13 September 2012
Final results announcement	:	18 March 2013
Share register closed for Annual general meeting	:	29 May 2013 to 30 May 2013 *(both days inclusive)*
Annual general meeting	:	30 May 2013
Share register closed for final dividend	:	6 June 2013
Final dividend payable	:	18 June 2013

Corporate Structure

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

PROPERTY DEVELOPMENT*
Mainland China, Hong Kong and Macau

PROPERTY MANAGEMENT
Mainland China, Hong Kong and Macau

PLANNING AND CONSTRUCTION DESIGN
Mainland China, Hong Kong and Macau

PROPERTY INVESTMENT
Mainland China, Hong Kong and Macau

* Property development in 37 major cities in mainland China, including Beijing, Shanghai, Shenzhen, Guangzhou, Foshan, Suzhou, Hangzhou, Shenyang, Chongqing, Xi'an, Changchun, Changsha, Chengdu, Dalian, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Qingdao, Tianjin, Wuhan, Xiamen, Yantai, Zhongshan, Zhuhai, Changzhou[#], Guilin[#], Ganzhou[#], Jilin[#], Hefei[#], Hohhot[#], Lanzhou[#], Nanning[#], Nantong[#], Yangzhou[#], Yinchuan[#] as well as in Hong Kong and Macau.

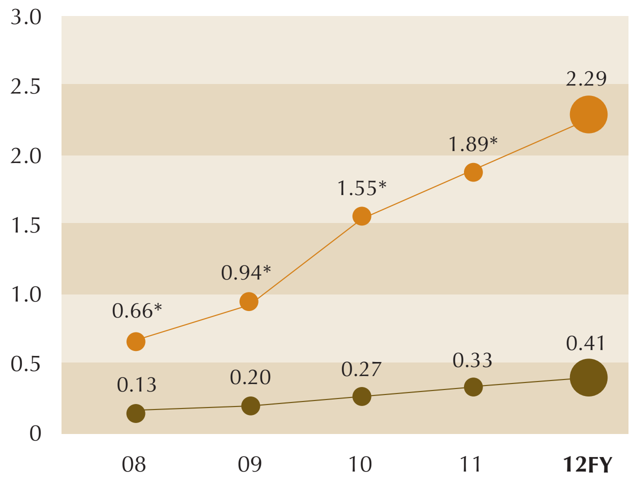
\# The cities where China Overseas Grand Oceans Group Limited "COGO" has operations; COGO also has projects in Beijing and Guangzhou.

Financial Highlights

For the year ended 31 December	2012	2011 (Restated)	Change (%)
Financial Highlights *(HK$ billion)*			
Turnover	**64.58**	51.33	+26
Profit attributable to equity holders of the Company	**18.72**	15.46	+21
Sales of properties	**111.52**	87.09	+28
Financial Ratios			
Net debt to shareholders' funds *(%)* [3]	**21**	33	-12 [1]
Interest cover *(times)*	**15**	16	-1 [2]
Dividend payout *(%)*	**18**	17	+1 [1]
Financial Information per Share *(HK$)*			
Earnings	**2.29**	1.89	+21
Dividends	**0.41**	0.33	+24
— Interim dividend	**0.15**	0.13	+15
— Special dividend	**0.02**	–	+100
— Final dividend	**0.24**	0.20	+20
Equity attributable to equity holders	**10.68**	8.76	+22
Land Reserves *(million sq m)*			
Development land bank [3]	**35.10**	34.45	+2

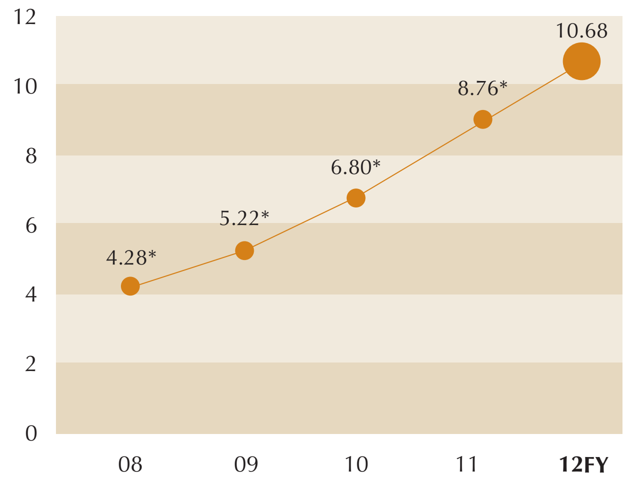
Notes: [1] *Change in percentage points*
[2] *Change in number of times*
[3] *These are year end figures*

Earnings and Dividends per Share
HK$



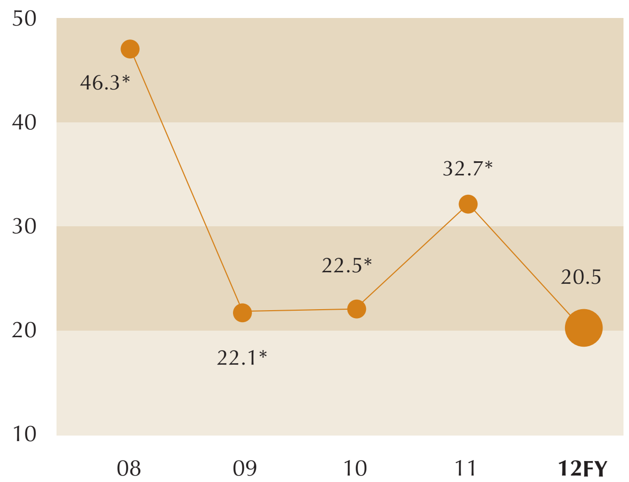
Earnings
Dividends
* Figures of 08FY to 11FY have been restated

Shareholders' Fund per Share
HK$



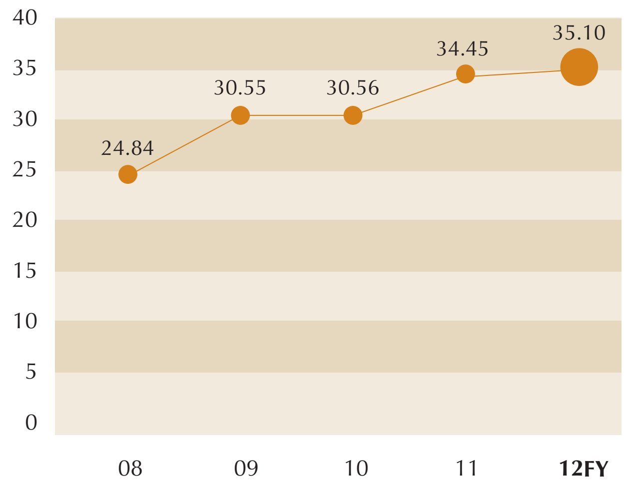
* Figures of 08FY to 11FY have been restated

Net Debt to Shareholders' Funds
%



* Figures of 08FY to 11FY have been restated

Land Reserves
million sq m



Group Financial Summary

Key Financial Information and Ratios

Financial Year	2008 *HK$* (Restated)	2009 *HK$* (Restated)	2010 *HK$* (Restated)	2011 *HK$* (Restated)	**2012** ***HK$***
Earnings per share	0.66	0.94	1.55	1.89	**2.29**
Dividends per share	0.13	0.20	0.27	0.33	**0.41**
— Interim dividend	0.06	0.07	0.10	0.13	**0.15**
— Special dividend	–	–	–	–	**0.02**
— Final dividend	0.07	0.13	0.17	0.20	**0.24**
Equity attributable to equity holders per share	4.28	5.22	6.80	8.76	**10.68**
Net debt to shareholders' funds (%) Net debt / Shareholders' funds	46.3	22.1	22.5	32.7	**20.5**
Interest cover (times) Operating profit – Total interest income / Interest expense#	7	15	16	16	**15**

Key Profit and Loss Items

For the year ended 31 December	2008 *HK$'000* (Restated)	2009 *HK$'000* (Restated)	2010 *HK$'000* (Restated)	2011 *HK$'000* (Restated)	**2012** ***HK$'000***
Turnover	19,835,784	39,277,758	46,650,024	51,332,302	**64,580,694**
Operating profit	8,764,462	12,259,248	18,913,841	23,388,338	**27,070,329**
Profit attributable to shareholders	5,189,725	7,646,049	12,671,244	15,464,098	**18,722,221**

Key Statement of Financial Position Items

As at 31 December	2008 *HK$'000* (Restated)	2009 *HK$'000* (Restated)	2010 *HK$'000* (Restated)	2011 *HK$'000* (Restated)	**2012** ***HK$'000***
Fixed assets*	6,709,034	8,001,422	14,373,063	18,103,007	**24,633,189**
Long-term investments	2,130,890	2,760,515	11,557,227	16,031,823	**17,210,850**
Other non-current assets	4,857,092	10,097,248	10,422,815	13,856,463	**7,713,144**
Net current assets	41,943,667	40,463,396	64,496,939	60,054,948	**96,292,053**
Non-current liabilities	(22,413,423)	(18,992,957)	(42,079,594)	(36,156,243)	**(58,292,280)**
Net assets	33,227,260	42,329,624	58,770,450	71,889,998	**87,556,956**

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

* *Representing investment properties and property, plant and equipment.*

Business Milestones

Signing Ceremony

15 February

In February, the Group issued two 5-year US dollar bonds with an aggregate amount of US$750 million and both at a yield of 4.917%. In November, the Group issued US dollar bonds with two maturity profiles: US$700 million with a 10-year term at a yield of 3.991% and US$300 million with a 30-year term at a yield of 5.364%, creating the record of financing with the lowest cost and longest maturity among PRC property companies. Moreover, the Company entered into a 3-year club deal agreement with 12 leading banks raising HK$7.60 billion in April. With a total amount of HK$29.6 billion raised in and outside the Mainland during 2012, the Group's debt maturity profile has been further improved. This reflected the strength of the Group's diversified and low cost financing channels. It also demonstrated the recognition by the capital market of the Group's solid and stable financial and operating condition.

20 February

Around 80% of the 253 units of The Green at Fanling, Hong Kong were sold within one month after the launch of the sales campaign. As at the end of the year, total pre-sales of the project amounted to HK$4.65 billion, making it the best-selling villa project in Hong Kong during 2012 in terms of sales units. The Group has focused on the luxury property market in Hong Kong and Macau recently and its products have been highly acclaimed by its industry peers, customers and the general public. Total sales amounted to HK$7.2 billion, an increase of about 200%.

The Green, Hong Kong

The Phoenix, Nanjing

4 March

The Phoenix and The Majestic in Nanjing were launched for sale at the same time, setting a new high daily sales record in Nanjing property market with total sales of RMB1.15 billion. Nanjing Company topped the local property sales chart for the first time with sales of RMB5 billion for 2012. The Group also reported annual sales of over RMB5 billion, in Beijing, Chengdu, Shanghai, Shenyang and Foshan, reaffirming China Overseas Property's leading position in the PRC property market.

The Group received numerous awards reflecting its leading position

7 March

The Company was awarded with the "The Asset Corporate Awards — Titanium Award (Financial Performance and Social Responsibility)" and "China's Most Promising Companies in Property" by The Asset, an international financial magazine. In September, the Company was selected as a constituent stock of FTSE China 25 Index, highlighting its strengths in sustainable operation, competitive advantages and long-term investment value. In addition, the Company was awarded with the "Excellence of Listed Enterprise 2012 Awards" by Capital Weekly in October. The Group received numerous awards. This reflected the recognition of its leading position as well as its excellent performance in corporate citizenship and corporate governance.

31 March

Residence 9 and Perfect Manor in Beijing were launched for sale at the same time. In 2012, 1,503 units of Residence 9 were sold for RMB3.6 billion in 2012 while 352 units of Perfect Manor were sold for RMB1.15 billion. Beijing Company ranked top on the property sales chart of the Group for three consecutive years, with annual sales of over RMB7.2 billion in 2012.

Snap shot of Joint sales of Residence 9 and Perfect Manor in Beijing

The event of "Crazy Children's Day"

1 June

The "Crazy Children's Day" (瘋童節), a nationwide brand promotion campaign which was organised by the Group's China Overseas Property Club ("COPC"). This attracted participants from 71 communities in 28 cities. In 2012, COPC continued to launch various initiatives for the care of its customers, effectively enhancing the "China Overseas Property" brand with the organisation of over 400 activities for the members of different ages and backgrounds, such as festive celebrations, cultural programmes and sports events.

One Villa South, Chengdu

7 JULY

One Villa South in Chengdu was launched for sale and 102 units of villas were sold within two months for RMB865 million. Chengdu Company made a number of breakthroughs in 2012: The sale of One City South, amounting to RMB1.97 billion, ranked top in the sales of a single residential project in term of sales value in the main district (including Jinjiang District, Qingyang District, Jinniu District, Wuhou District, Chenghua District and Gaoxin District) of Chengdu; Glorious City, with 1,461 units were sold, ranked top in the sales of residential project in terms of sales units in the main district of Chengdu. In 2012, Chengdu Company held an overall market share of 10% in the main district of Chengdu.

13 AUGUST

About 250 graduates with top honours recruited from 33 cities gathered in Shenzhen for the 10th "COB New Employee Orientation Program". The Group continued to enrich and optimise the human resources brand "Sons of the Sea", ensuring sufficient supply of high-calibre personnel to support the Group's rapid business development.

Group photo of COB New Employee Orientation Program

Grand reception of the 20th listing anniversary

23 AUGUST

Fruitful achievements came with 20 years of diligent efforts. A grand reception was held at Hong Kong Convention and Exhibition Centre to celebrate the 20th anniversary of the Company's listing. More than 460 distinguished guests attended the ceremony. Since the Company's listing 20 years ago, the Group's total assets have increased by 50 times from HK$4.49 billion to HK$229.82 billion, while its net assets have grown by 33 times from HK$2.57 billion to HK$87.56 billion as at the end of 2012. Its net profit has grown 41 times from HK$450 million to HK$18.83 billion in 2012; while its market capitalisation has grown 42 times from HK$4.2 billion to HK$180 billion as at the end of 2012. The Group reported excellent results in the past eleven years, with profit increased at a compound growth rate of 43.6%.

La Cité, Hangzhou

18 October

The Group acquired a land parcel in Hangzhou with a gross floor area ("GFA") of 420,000 sq m for a consideration of RMB5.59 billion. Mainly due to the improvement in the mainland economy and property market in the fourth quarter of the year, the Group stepped up its land acquisition efforts. New land parcels with GFA of 6.64 million sq m were acquired during the year. It is intended that the Group will enter three or four new cities in 2013 and the replenishment of its land reserve will not be less than 8 million sq m in GFA.

20 November

Tenancy invitation conferences and signing ceremonies for branded tenants at Jinan Unipark shopping mall and Shenyang Unipark shopping mall were held on 20 and 28 November, respectively. China Overseas Commercial Properties Co. Ltd. was also officially incorporated in 2012 to centralise the planning, tenancy solicitation and operational management, such that the continued drive for commercial operation will provide a new foothold for the Company's stable development. In the long term, the Group will work towards securing a profit contribution from investment property of at least 20% of total profit.

Signing Ceremony of Unipark shopping mall

Outlook of China Overseas Dongou Hope School

7 December

China Overseas Dougou Hope School, located at Shizhong District, Jinan, was completed. The school occupies a site area of 25,700 sq m with teaching blocks of 5,666 sq m in GFA, the school can accommodate 900 students and provide education with comprehensive facilities. As of now, seven China Overseas Hope Schools have been built as part of the Group's ongoing initiatives in community welfare, while another one is under construction.

Chairman's Statement

Chairman's Statement

Kong Qingping
Chairman

The Board is confident about the prospects for the Group. In the past 11 years, the Group achieved a compound annual growth rate of 43.6% in its net profit. Strong profit growth has been sustained despite the impact of the global financial crisis and administrative tightening in the China property sector for the past five years. 2013 is expected to be complex and ever-changing as affected by the unfavourable global political and economic environment. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." (慎微篤行　精築致遠) The Group will continue to enhance its competitiveness in the industry through its consistent innovation and is confident that it can maintain its leadership position in the China property industry and achieve steady, high-quality balanced growth.

I have pleasure to report to the shareholders that:

The audited net profit attributable to shareholders for the year ended 31 December 2012 increased by 21.1% to HK$18.72 billion. Basic earnings per share were HK$2.29, an increase of 21.2%. Total shareholders' funds increased by 21.8% to HK$87.24 billion. Net assets per share were HK$10.7, an increase of 21.6% on 2011, and average return on shareholders' funds reached 23.6%. The Board recommends the payment of a final dividend of HK24 cents per share for year 2012.

1. BUSINESS REVIEW

The world economy remained as complicated and fast changing as in 2011 and continued to be gridlocked in 2012. The euro debt crisis further worsened the economy in the euro-zone. Despite the implementation of the third round of quantitative easing by the United States, employment and property market problems remained unresolved and the economic recovery was sluggish. Geopolitical problems in the Middle East and Asia elevated risks in the global economy. In addition, the economies of the emerging countries were affected by the unfavourable external economic factors and resulted in weak momentum in economy. After mitigating inflationary pressures, the People's Bank of China twice reduced the reserve requirement ratio and also twice reduced the benchmark interest rate for loans, to increase liquidity and foster economic development. Although foreign trade in China inevitably declined, the Central Government strategy to ensure steady growth took effect with investments and domestic demand gathering pace. Economic growth bottomed out in the third quarter to give an annual growth rate of 7.8%, above the target 7.5%. The economic slowdown in Europe, the United States and China led to a decline in economic growth in Hong Kong and Macau.

The mainland continued to deploy stable yet stringent regulatory measures towards the property market in 2012. The level of total sales in the mainland property market for the year was satisfactory as a result of liquidity relief and strong and stable demand, with house prices in some cities rising slightly. The industry, however, showed greater polarisation and consolidation with increasing market concentration as brand developers performed better. With the improved domestic economy in the fourth quarter, real estate financing became easier as costs were reduced. Sentiment in land transactions and housing sales also improved.

Amid the normalisation of austerity measures and a highly competitive market environment, the Group achieved satisfactory growth in its sales and profits in 2012. Turnover increased by about 25.8% to HK$64.58 billion and net profits increased by 21.0% to HK$18.83 billion (equivalent to 15.25 billion yuan) for the year. The net profit attributable to shareholders increased by 21.1% to HK$18.72 billion (equivalent to 15.16 billion yuan), of which HK$2.92 billion of profit after tax was related to the increase in the fair value of the investment property portfolio. The Group hence recorded an increase of 21.4% in its core profit to HK$15.80 billion (equivalent to 12.80 billion yuan).

The net profit attributable to shareholders has increased at a compound growth rate of more than 34.7% per annum over the past five years (2008-2012). This comprises annual increases of over 20.0% in each of the past ten years (2003–2012), fulfilling the Group's commitments to its shareholders and investors.

Property Development

In 2012, the target for sales of properties that was raised to HK$100 billion in August was exceeded for another record high. Total sales of properties (including sales by joint ventures and associated companies) amounted to HK$111.52 billion, an increase of 28.1% compared with the previous year; the area sold was 7.29 million sq m, representing an increase of 30.6% compared with 2011. There was a cash inflow of over HK$100 billion from sales for the Group and the joint ventures. The pre-sales deposits were HK$58.18 billion as at the end of 2012, an increase of 73.3% compared with the previous year.

In 2012, adhering firmly to the operational watchword: A Trusted Brand Growing through Diligence and Care (精耕細作，品牌經營), and as a result of accurate judgment of market changes, targeted and innovative sales and marketing measures as well as the "China Overseas Property" branding advantage, solid results were attained in the mainland property development sector with sales of HK$104.32 billion in 2012, an increase of 23.2% compared over the previous year.

Property markets in Hong Kong and Macau became active due to loosened foreign and domestic liquidity. The Group, therefore, seized the opportunity to step up its sales effort in the two regions and achieved record sales of HK$6.07 billion for the first half of the year. As the Hong Kong Government strengthened regulation of the property market and promulgated Buyer's Stamp Duty and Special Stamp Duty in October, the property market in Hong Kong has entered a short adjustment period, which led to a sharp drop in the number of transactions. Sales in the year, however, amounted to HK$7.2 billion, an increase of about 200%.

The turnover of the Group increased by 25.8% to HK$64.58 billion. (If the turnover of the jointly controlled entities attributable to the Group is taken into account, the total amount increased to HK$77.91 billion, an increase of 35.0% compared with last year.) During the year, projects in mainland China (including those by the joint ventures) with aggregate gross floor area ("GFA") of about 7 million sq m were completed. The value of sales for these projects recognised as the Group's turnover in 2012 was HK$39.51 billion. Furthermore, the level of the Group's sales of properties completed as at the end of 2011 were satisfactory with about 970,000 sq m sold for approximately HK$21.90 billion. Hence, the turnover for property development increased by 24.2% to HK$61.41 billion. The turnover for mainland property development amounted to HK$59.44 billion, an increase of 22.6%. Its gross profit margin held steady at a satisfactory level, while operating profit increased significantly by 16.8% to HK$21.58 billion. The turnover for Hong Kong and Macau amounted to HK$1.97 billion. The gross profit margin was 54.8% while operating profit was HK$930 million, an increase of 50.0%.

Investment Properties

China Overseas International Center Phase Two in Chengdu was completed, adding about 60,000 sq m of completed investment properties to the Group for a total of 520,000 sq m in Hong Kong, Macau and the mainland as at the end of 2012. The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK$580 million, representing a year-on-year increase of 56.8%; profit for the segment amounted to HK$4.15 billion which included an increase in the fair value of investment properties amounting to HK$3.65 billion (net income after deferred tax was HK$2.92 billion).

Land Reserve

The Group continued to follow the land market closely, in order to explore opportunities for the acquisition and exploitation of prime land resources. In each case, after taking account of the economic environment, trends in the property market, funding and development capabilities, the land reserve on hand and the quality and cost, a decision on land acquisition is then made. Mainly because of the improvement in the mainland economy and property market, in the fourth quarter of the year, the Group stepped up its land acquisition efforts. During the year, 19 parcels of land were acquired by the Group (excluding China Overseas Grand Oceans Group Limited "COGO") in 14 cities in mainland China, including the newly entered Kunming. These land parcels provided an aggregate GFA of 6.62 million sq m (interest attributable to the Group of 6.50 million sq m).

COGO acquired six land parcels in six mainland cities and added GFA of 3.68 million sq m of land to its land reserve.

During 2012, the Group also purchased one parcel of land in Ap Lei Chau with GFA of 21,350 sq m for a total consideration of about HK$2.5 billion. The Group was awarded a contract in July to develop, jointly with the Urban Renewal Authority, a project at Pak Tai Street in To Kwa Wan.

As at 31 December 2012, the Group had a total land reserve of about 35.10 million sq m (interest attributable to the Group of about 31.57 million sq m) in 26 mainland cities, Hong Kong and Macau; COGO had a total land reserve of 9.13 million sq m (attributable interest of 7.78 million sq m).

Group Finance

The Group continued to enhance financial resources and optimise its debt structure. The Group raised HK$29.6 billion in 2012. After deducting the repayment of matured bonds and bank loans due, the net amount raised for the year was HK$16.2 billion. The Group undertook three bond issuances, which together raised US$1.75 billion. HK$7.6 billion was raised by way of syndication loans in Hong Kong and HK$3.8 billion was raised by unilateral loan arrangements with several banks. We had a limited number of fundraising activities in mainland China and raised only 3.8 billion yuan in 2012. A cash inflow from sales of over HK$75.78 billion was recorded for the year and together with the net amount raised by financing, the Group had more than sufficient funds to meet its requirements, including major expenditures of HK$26.09 billion for land premiums, HK$29.92 billion for construction costs and HK$16.69 billion for tax, selling and distribution, administrative and finance expenses.

As at the end of December 2012, outstanding borrowings and guaranteed notes payable by the Group were about HK$37.64 billion (loans denominated in RMB amounted to HK$8.0 billion) and about HK$21.15 billion (US$2.75 billion) respectively; cash on hand amounted to approximately HK$40.93 billion (not including cash held by jointly controlled entities amounting to approximately HK$12.76 billion); shareholders' funds in the Company increased from HK$71.62 billion to HK$87.24 billion; and the net gearing of the Group decreased from 32.7% at the end of last year to about 20.5%, a very healthy level under such tough market conditions.

During the year, both Moody's and Standard & Poor's reaffirmed the Company's issuer and bond ratings at Baa2 and BBB respectively with a stable outlook. This reflected the recognition by the market of the Group's solid and stable financial profile and market-leading status. In November, with the issuance of 30-year long-term bonds at an annual rate of just under 5.5%, the Group became the first PRC property developer to issue 30-year long-term bonds, an achievement which reflected the confidence of the capital market in the long-term business development and financial stability of the Group.

Human Resources

The Group firmly believes that the quality of human resources and the level of knowledge capital are important benchmarks in assessing the competitiveness of an enterprise. The capital value of our human resources is enhanced through human resource development, industrial training and job rotation. The long-term development of the Group and personal development of staff are closely interrelated and mutually reinforcing. This is a pre-eminent feature of the Group's corporate culture and human resource management style.

The Group continues to enter new cities every year. Talent at all levels is always in great demand. The Group is confronted with challenges in building and conserving human resources. After assiduous promotion in recent years, the "Sons of the Sea" and "Sea's Recruits" schemes have developed into well respected human resource brands in the mainland property industry. Staff recruited through these two schemes have steadily become an important element supporting the sustainable and stable development of the Group. In 2012, more than 250 outstanding graduates from leading universities in China were recruited through the "Sons of the Sea" scheme and more than 310 talented staff joined through the "Sea's Recruits" scheme. This recruitment of plentiful human resources effectively met our demand for new staff.

Corporate Governance

The Board firmly believes that its prime duty is to protect and best utilise resources in the Group and thereby 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 few years, the Group has actively enhanced corporate transparency and strengthened the Group's internal controls and risk management.

Corporate Citizenship

The Group is committed to corporate social responsibility and seeks to promote social value and harmony. 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.

Over the years, by providing resources and facilities to the China Overseas Hope Schools, the Group has greatly enhanced the education environment and capabilities in those localities. With the completion for use of the China Overseas Dougou Hope School in Jinan, a total of seven China Overseas Hope Schools have been duly delivered.

The Group continued to apply environmental protection and energy conservation concepts such as "low carbon" and "green construction" across its corporate development strategy, as well as to the design and construction of its property projects. The aim is to help build a greener society and ensure a healthy living environment that enables sustainability in the natural environment in and around our projects.

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

In 2012, the Group received numerous awards. The Company was again acknowledged as number one among "The Top 20 China Real Estate Enterprises by Brand Value" and its brand value increased to 25.3 billion yuan. China Overseas Property (中海地產) was acknowledged, for the nine year in a row, as the number one among "Leading Brands of China Real Estate Companies". For nine years in a row, leveraging its excellent performance, the Company has been voted the number one "China Blue Chip Real Estate" developer. China Overseas Property was awarded seven Jian Tian Yao (詹天佑) awards in 2012 for excellence in its quality, design and management.

2. PROSPECTS

Macroeconomy

The launch of various stimulus measures by the advanced countries of Europe, the United States and Japan has yet to resolve the fundamental problems that led to the current global financial crisis. Meanwhile, the excess liquidity generated by the quantitative measures intensified investment activity, asset bubbles and inflationary pressure, especially in emerging markets. It is expected that there will be some improvement in United States economic growth and the euro sovereign debt crisis, but economic growth globally will remain sluggish in 2013. For most enterprises, 2013 will remain a challenging year. The Group will watch closely for risks and opportunities triggered by any change in the international economic environment and will implement appropriate response measures in a timely and effective manner.

Amid a volatile and dragging economic environment abroad, it is expected that foreign trade will see limited improvement in China. Also, the Chinese central government will continue to adopt a proactive fiscal policy and prudent monetary policy in order to curb inflation. The new state leadership will boost and accelerate investment in infrastructure and the service sector to further increase domestic consumption, bottom out the economy and attain the goal of making progress amid stability. Economic development in both Hong Kong and Macau has become more closely linked to that of the mainland and therefore is expected to gradually improve this year.

Business Development

The outstanding performance of the Group in 2012 fully demonstrated the Group's excellent operational capabilities and brand advantages. The Group is well prepared to deliver good performance even amid the normalization of tightening measures. The launch of the ("New National Five Measures") in early March 2013 endorses the view of the Group that the tough restrictive policies will likely remain in place for some time. With the effective suppression of speculation and investment as well as the appropriate consolidation of the property industry, the PRC property market is expected to remain dynamic in 2013 and the whole industry presents both challenges and opportunities. Looking to the year ahead, as the property sector tends to lead many other segments in the economy and is an effective driver of economic activity, it is expected that the government may implement fiscal and tax reform in lieu of administrative means to get the market back on track. The Group will take full advantage of its sound financial structure and diversified financing channels to actively increase financial resources and to seize investment opportunities including the acquisition of prime land parcels through various channels. While maintaining suitable precautions against risk, the Group will actively seek market opportunities to ensure sustainable growth, increase its market share and consolidate its leading status in the property industry. The new national policy requires the doubling of GDP and national income by 2020 and urbanisation will be the main focus to transform the mode of economic development. Indeed, we expect that rapid ongoing urbanisation will continue to drive the property market in mainland China. Hence, the Group is still fully confident about the long-term development of the mainland China property market.

It is expected that property markets in Hong Kong and Macau will undergo some short term adjustments by the market in response to the increase in the types and rate of stamp duty. The overall property market will remain stable. The Group will still seek appropriate opportunities to expand its business in Hong Kong and Macau.

Operational Philosophy

The Group holds to its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" (慎微篤行精築致遠). The Group strictly adheres to its undertakings and conducts business with complete integrity and seeks progress amid stability (穩中求進). The Group also endeavours to maintain high levels of creativity and to understand the demands of its customers in order to continuously consolidate and expand its market and customer base. The Group works hard to enhance its customer relationship management system and to maintain its customer-focused strategy. By collecting data on customer demand and complaints and sharing them with operational departments, the Group aims to convert customer complaints into opportunities to upgrade the quality of its products and services. The Group strives to improve the quality of its projects and to provide customers with a choice of highly differentiated and desirable products. The Group continues to stick to a development model focused on mid-range to high-end products that aims to maximise profit for the Group. The Group strives to consolidate and then strengthen its unique and immense competitive advantages in the mainland property sector by continuing to be innovative and with its core advantage of a prime product and branding strongly supported by its expertise in design, construction, sales planning, customer service and property management.

Brand Building

The brand of an enterprise is the most valuable intangible asset and a vital competitive tool. The Group firmly follows the operation philosophy of "A Trusted Brand Growing through Diligence and Care" (精耕細作，品牌經營) in order to reinforce the elite image of China Overseas Property products. The Group tries its utmost and explores every avenue to improve the quality of its projects so that each stands out and sets the pace among high-end products in the area. Through the successful launch of many high quality, value-for-money projects in and outside China, the China Overseas Property brand is highly regarded within and outside the China property industry. The brand reflects the culture of an organisation and in the case of the Company that include the pursuit of high quality product by China Overseas Property and the mission of providing products with value beyond the cost through continuous innovation. Branding is one of the Group's primary and effective competitive edges. A strong brand brings trust of customers, who will pay a higher premium for a quality-assured product. Therefore, enhancement of product quality and branding is effective in mitigating the effects of lower home prices, and reducing marketing costs. To operate under such a highly regarded brand enables the Group to earn higher profits than its peers and facilitates the Group's pursuit of its long term goal of becoming an evergreen enterprise.

The Group will continue to promote its corporate brand and to spread the "China Overseas Property" brand systematically in newly entered cities and territories. The ultimate goal is to make the "China Overseas Property" brand the most valuable brand in the mid-range to high-end property market throughout China.

Sustainable Project Development

The Group will closely monitor the market and control the pace of its project development and sales appropriately. The Group will continue to launch targeted, highly differentiated, premium products. By leveraging its brand name, backed by innovative marketing and sales operations, the Group can improve its sales results and cash flow, maximise the return on its assets and ensure sustainable growth in the scale and profitability of its operations. Taking into account the market situation, it is planned that in 2013, the Group will commence development of an additional 10 million sq m, bringing the total area under development to a peak level of over 25 million sq m; it is targeted that projects with GFA of 9 million sq m will be completed and sales of not less than HK$100 billion will be achieved.

The Group will take advantage of the synergy generated by the highly respected "China Overseas Property" brand in the high-end sector of the mainland China property market to ensure the successful sales of the completed luxury projects in Hong Kong and the smooth development and presale of the Nova project in Sai Ying Pun.

Better Business Structure

The Group will continue to operate a business structure with residential development as the main element and investment property in a supplemental role. It will balance resource allocation for short-term and long-term investment and gradually increase its weighting on investment property so as to obtain stable long-term returns and to enhance its capability to balance market risk. In the long term, the Group will work towards securing a profit contribution from investment property of at least 20% of total profit. Currently, the total area of commercial property under development and yet to be developed by the Group amounts to about 3 million sq m. Most of this will be completed before 2015 and about 50% will be retained as long-term investment property.

Unipark shopping malls (環宇城) in Jinan and Shenyang were launched in November and were received favourably.

Land Replenishment

The Group will calmly meet the challenges ahead. Taking into account the cash inflow from its sales, the Group will maintain an appropriate scale of investment and capture opportunities offered by market adjustments to replenish its prime land reserve through a variety of means and channels. It is intended that the Group will enter three or four new cities in 2013 and the replenishment of its land reserve will not be less than 8 million sq m in GFA.

Up to the date of the results announcement, the Group (excluding COGO) has in 2013 acquired three parcels of land in three mainland cities with a total GFA of 1.47 million sq m while COGO has acquired three parcels of land in three mainland cities with a total GFA of 1.46 million sq m.

Multi-Growth Models

The Group will strive to expedite its development and expand its development scale through joint venture cooperation and mergers and acquisitions. At the end of 2012, the Group has invested HK$23.34 billion in the joint ventures and associated companies. The profit contribution from joint ventures in 2012 showed a remarkable improvement to HK$2.30 billion. COGO is an associated company of the Group that focuses on third- and fourth-tier mainland cities and is expected to develop rapidly in the coming years and will effectively complement the business of China Overseas Property. COGO recorded sales of HK$13.52 billion, a turnover of HK9.72 billion and a net profit of HK$2.49 billion for the year 2012. After adjusting for the profit booked by the Group when control of COGO was acquired in 2010, the Group shared a net profit of about HK$340 million. The real estate fund established by the Group is operating smoothly.

Market Leading Status

China is a vast country whose economy is developing at varying rates, and its property markets are also at different stages at any one time. However, comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group will continue to strengthen and balance its nationwide development strategy by actively exploring new markets that offer strong potential. In order to increase its leadership of the industry in terms of turnover, net profit, brand value and innovative products, the Group will continue to focus on the formulation and execution of policies and regulations, the development of the Group's human resources, securing critical and relevant data resources, risk management and the enhancement of operating efficiency. Through improvement in the Group's overall competitiveness, the Group can actively acquire high-value land at low cost, maintain a customer-focused strategy, and continue to improve its product quality as the Group holds to its philosophy of practising professionalism in "Each and every detail of each and every project" (過程精品、樓樓精品), in order to ensure that we retain our market leadership status.

Prudent Financial Management

The Group will continue to adhere to prudent financial management and will increase the speed with which it collects the proceeds of sales. The Group will tightly control its sales and marketing, administration and financial expenses and stick firmly to the principle of "Cash is king. Receipts determine payments" (現金為王，以收定支). Meanwhile, it is expected that the quantitative measures and low interest rates will persist through this year. While the Group has only about HK$7 billion of bank loans due in Hong Kong in this year and next year and the pressure on refinancing is light, it will continue to explore new fundraising channels and make full use of its fundraising platforms in the international and Hong Kong financial markets. To safeguard capacity, and hence ensure solid and plentiful funding for its business development, the Group will speed up asset turnover and enhance its ability to protect its resources. In February 2013, the Company was assigned by Fitch the investment credit rating of BBB+ with a stable outlook. This is the highest rating assigned to homebuilders and reflects the leadership status of the Group in the China property sector and the recognition of the credit standing of the Group. It also helps improve the debt profile of the Group, through the issue of long-term fixed-rate debt.

The Group will continue to upgrade and promote its ERP system to enhance the communication of project and financial information, intensify cash-flow control across all regions, increase cash inflow and effectively combat the risk of any shortage in liquidity.

Business Prospects

The Board is confident about the prospects for the Group and its own capacities. In the past 11 years, the Group achieved a compound annual growth rate of 43.6% in its net profit. Despite the impact of the global financial crisis and administrative tightening in the China property sector, the Group was able to overcome obstacles, maintain sustainable development and beat operational targets, and still achieved compound annual growth of 34.7% in its net profit for the past five years, demonstrating the Group's strength and brand advantage. The coming year, 2013, is expected to be complex and ever-changing as affected by the unfavourable global political and economic environment. The Group will continue to apply its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success." (慎微篤行 精築致遠) With its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness in the industry through its consistent innovation. The Group is confident that it can maintain its leadership position in the China property industry and achieve steady, high-quality balanced growth.

Mission

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

APPRECIATION

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

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

Hong Kong, 18 March 2013

Management Discussion and Analysis

Overall Performance

Windsor Pavilion, Yantai

Overall Performance (Continued)

In 2012 the Group had Another Excellent Year

The Group's turnover amounted to HK$64.58 billion (2011: HK$51.33 billion), an increase of 25.8% (including share of turnover of jointly controlled entities ("JCEs"), total turnover was HK$77.91 billion). Operating profit was HK$27.07 billion (2011: HK$23.39 billion), an increase of 15.7%. Net profit attributable to shareholders amounted to HK$18.72 billion (2011: HK$15.46 billion), an increase of 21.1%. Basic earnings per share were HK$2.29 (2011: HK$1.89), an increase of 21.2%.

The equity attributable to shareholders of the Company at the end of 2012 increased by 21.8% to HK$87.24 billion (2011: HK$71.62 billion).

Property Sales

The Group's and JCEs' turnover of property sales for the year were HK$61.41 billion and HK$21.50 billion respectively.

Turnover of property sales, including share of turnover of JCEs, was HK$74.73 billion (2011: HK$55.82 billion), increasing by 33.9%. Turnover from property sales mainly came from Group's property projects such as Residence 9 and The Metropolis in Beijing, Gold Coast in Foshan, La Cité in Shenyang, The Phoenix in Nanjing, International Community in Xian, International Community in Suzhou, International Community in Jinan, One City South and Glorious City in Chengdu and some JCEs projects such as La Cité in Hangzhou, the Throne in Chongqing and the Peaceland Cove in Tianjin.

Profit from property sales (including the Group's share of profit of associates and JCEs) amounted to HK$25.15 billion (2011: HK$20.02 billion), showing an increase of 25.6%. Amid the normalisation of austerity measure and a highly competitive market environment, the Group still achieved a satisfactory growth in its turnover and profit in 2012.

Property Rental

Turnover from property rental of the Group for the year amounted to HK$580 million (2011: HK$370 million), an increase of 56.8%. The rise in rental income was mainly due to higher market rent and higher occupancy rate. Segment results amounted to HK$4.15 billion which include an increase in the fair value of investment properties amounting to HK$3.65 billion (net income after deferred tax was HK$2.92 billion).

Other Operations

Turnover from other operations amounted to HK$2.59 billion (2011: HK$1.53 billion), an increase of 69.3%, mainly derived from property management and Hua Yi design business.

Turnover from property management amounted to HK$1.33 billion (2011: HK$1.09 billion), an increase of 22.0%. The Group is dedicated to offer the finest service to its residents and tenants. As at the end of 2012, the Group managed a total GFA of 38 million sq m.

Turnover from Hua Yi design business amounted to HK$430 million (2011: HK$330 million), an increase of 30.3%. Operating profit amounted to HK$61 million (2011: HK$34 million), an increase of about 100%. Since its establishment over 20 years ago, Hua Yi has completed about 1,300 construction design projects.

Conclusion

The excellent performance of the Group in the past decade is attributable to its focus and expertise of the PRC property market. The Group will continue to apply the comprehensive nationwide strategic coverage and to provide highly differentiated, premium products in prosperous city centres. The Group is not seeking short-term profits but to enhance its competitiveness in the industry through its consistent innovation in order to achieve steady high-quality balanced growth.

Land Reserves

Annual Summary

- *19 parcels of land were acquired by the Group in 14 mainland cities, providing a total GFA of 6.62 million sq m (attributable interest of 6.50 million sq m); one parcel of land was acquired by the Group in Hong Kong for a consideration of approximately HK$2.5 billion.*

- *3.68 million sq m (attributable interest of 3.41 million sq m)of land reserves were acquired by COGO in six third-tier and fourth-tier mainland cities.*

- *At the end of 2012, total GFA for development owned by the Group amounted to 35.10 million sq m (attributable interest of 31.57 million sq m); COGO had a total land reserves of 9.13 million sq m (attributable interest of 7.78 million sq m).*

The land costs and project construction costs composed about 90% of the cost of sales. As project construction costs are relatively controllable and stable, land costs become a decisive factor in the total development costs of a project. The products of a project, and eventually the selling price and the gross profit are basically determined by the quality of the land site on which it is developed. The Group believes that setting of an appropriate land policy is the key to the success of a property developer. Therefore, the Group centralises the acquisition of land to the senior management. As 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, it is generally required to make full payment of land premiums within a short period. Taking into account of all these factors, the Group attaches more importance to the quality rather than the quantity of land acquired, as the lock up of substantial funds in land reserves could result in significant financial burdens that restrict the opportunities to acquire land when the market goes down. Therefore, the Group generally maintains prime land reserves that are sufficient to meet its property development requirements of 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 land bank on hand, and the quality and costs of new land parcels. With

LAND RESERVES (CONTINUED)

solid financial strengths and persistent practice of prudent financial management, the Group is always financially ready to acquire quality land sites when the opportunity arises. We generally commit more financial resources to cities that have reported better sales, so as to ensure sustainable growth and market leadership in these cities. Wherever the Group operates, it will strive to become initially the top 5 and eventually the top 3 players in such city. On the other hand, the Group also endeavours to develop a comprehensive nationwide network to avoid over-concentration of resources in a certain city or region.

The Group acquired 19 parcels of land in 14 mainland cities including Foshan, Tianjin, Yantai, Qingdao, Kunming, Shenzhen, Xiamen, Ningbo, Wuhan, Dalian, Shenyang, Hangzhou, Suzhou and Chengdu for a total consideration of HK$35.94 billion and a parcel of land in Ap Lei Chau, Hong Kong for a total consideration of HK$2.5 billion, providing additional GFA of approximately 6.64 million sq m (attributable interest of 6.52 million sq m). The Group's sales was satisfactory during the first half of 2012. Nevertheless, in line with its view that the land market will be relatively quiet as the tightening measure is not likely to be relaxed at any time before mid-2013, the Group only acquired two parcels of land in Foshan and Chengdu during the first half of the year. In the second half of the year, the Group started to monitor land acquisition opportunities in a more proactive manner and acquired 17 parcels of land, including 10 parcels of land acquired in December. During the year, COGO acquired 3.68 million sq m of land parcels in six cities in mainland China and laid a solid foundation for sustainable development in third-tier and fourth-tier cities in China.

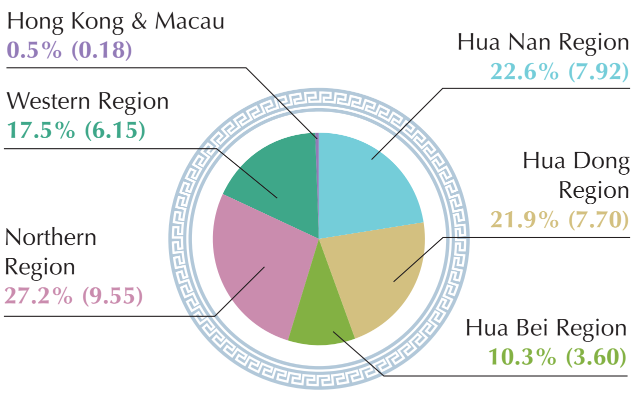
At the end of 2012, the Group had a total land reserves of approximately 35.10 million sq m (an attributable interest of 31.57 million sq m), in 26 mainland cities and in Hong Kong and Macau. The land reserves of the Group are evenly distributed throughout the Northern region (27.2%), Hua Nan region (22.6%), Hua Dong region (21.9%), the Western region (17.5%), and Hua Bei region (10.3%). Land reserves held by the Group in the 4 first-tier mainland cities account for only 8.2% of its total land reserves, and such situation is not expected to change significantly in future. Lands in first-tier cities are scarce in supply and intensely sought in land auctions despite expensive price. While the Group will not join in irrational contests for lands in first-tier cities, it will nevertheless seek to acquire lands actively through innovative means to assure that the market share in such cities are maintained. Our success in this regard is well illustrated by the acquisitions of quality lands last year in Bao'an, Shenzhen and earlier this year in Shijingshan, Beijing. The Group also believes that it can continue to develop and achieve sound results in first-tier cities, as testified by its excellent performance in Beijing over the past three years.

The Group's small land reserves in Hong Kong and Macau (180,000 sq m representing 0.5% of total land reserves) are of high quality and can provide satisfactory returns for the Group.

It is expected that the property market in mainland China will continue to be stable in 2013. The Group will seize the opportunity to acquire prime sites at competitive prices with a target of 8 million sq m. As at 18 March, the date of the results announcement, the Group (excluding COGO) has acquired three parcels of land in three mainland cities in 2013 with a total GFA of 1.47 million sq m while COGO has acquired three parcels of land in three mainland cities with a total GFA of 1.46 million sq m.

BREAKDOWN OF LAND RESERVES BY REGION

million sq m



LAND RESERVES (CONTINUED)

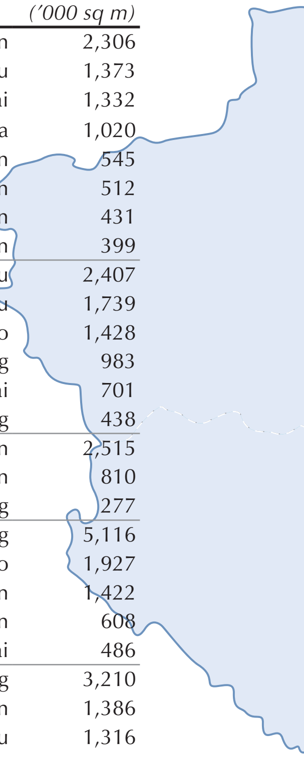
NATIONAL COVERAGE OF THE GROUP

Land Parcels added in 2012

Project name		Land Area ('000 sq m)	Total GFA ('000 sq m)
Hua Nan Region			
Foshan	Nanhai District Guicheng Project	199	731
Foshan	Nanhai Gaoxin District C Project	112	619
Shenzhen	Bao'an District Project	152	279
Xiamen	Jimei District Project	79	255
Wuhan	Hanyang District Project	49	210
Hua Dong Region			
Ningbo	Yinzhou New City No.11 North Project	193	525
Ningbo	Yinzhou New City No.11 South Project	186	508
Suzhou	Gusu District Project	134	434
Hangzhou	Jianggan District Project	84	423
Suzhou	Wuzhong District G-103 Project	127	340
Suzhou	Yuan District Project	122	284
Hangzhou	Xihu District Project	74	203
Hua Bei Region			
Tianjin	Hexi District Project	80	300
Northern Region			
Qingdao	Shibei District Project	74	222
Dalian	Ganjingzi District Project	99	217
Yantai	Gaoxin District Project	74	208
Shenyang	Huanggu District Project	23	102
Western Region			
Chengdu	Chengnan New District Project	102	590
Kunming	Wuhua District Project	39	171
Hong Kong & Macau			
Hong Kong	Ap Lei Chau Project	3	21
Total		2,005	6,642

Total Land Reserves

	City	GFA ('000 sq m)
Hua Nan Region	Foshan	2,306
	Guangzhou	1,373
	Zhuhai	1,332
	Changsha	1,020
	Wuhan	545
	Shenzhen	512
	Zhongshan	431
	Xiamen	399
Hua Dong Region	Suzhou	2,407
	Hangzhou	1,739
	Ningbo	1,428
	Nanjing	983
	Shanghai	701
	Nanchang	438
Hua Bei Region	Jinan	2,515
	Tianjin	810
	Beijing	277
Northern Region	Shenyang	5,116
	Qingdao	1,927
	Changchun	1,422
	Dalian	608
	Yantai	486
Western Region	Chongqing	3,210
	Xi'an	1,386
	Chengdu	1,316
	Kunming	234
Hong Kong & Macau	Macau	112
	Hong Kong	70
	Total	35,103



LAND RESERVES (CONTINUED)

Property Development

The Green, Hong Kong

PROPERTY DEVELOPMENT (CONTINUED)

Annual Summary

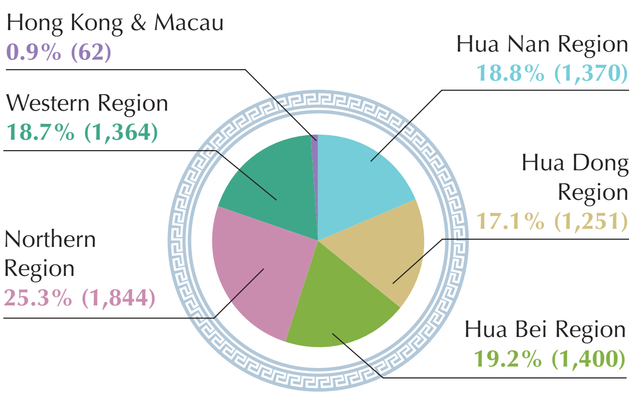
- *Projects (including joint ventures) with GFA of about 7 million sq m were completed.*
- *Total saleable area (including joint ventures) was approximately 5.41 million sq m. Net of about 60,000 sq m of long-term investment properties, about 78.0% of this had been sold by the end of 2012, corresponding to an area of 4.16 million sq m.*
- *A total of 7.29 million sq m of property (including joint ventures and associated companies) was sold, raising HK$111.52 billion, increases of 30.6% and 28.1% respectively over 2011.*
- *Gross profit margin of PRC property development remained at a satisfactory level, operating result was HK$21.58 billion, an increase of 16.8% over 2011.*
- *Gross profit margin of Hong Kong property development was 54.8%; operating result was HK$930 million, an increase of 50.0% over 2011.*
- *Increased effort on collecting sales proceeds resulted in collecting over HK$100 billion from the buyers (including joint ventures) during the year. As at the end of 2012, pre-sales deposits received (including joint ventures) amounting to HK$58.18 billion, an increase of 73.3% on last year.*

The property market was duly affected as the Chinese government implemented tightening measures in respect of the property sector for the second consecutive year. Speculation and investment sentiments were effectively curbed, as well as the rise in residential property prices. The consolidation process of the property industry has been accelerated, as a result, it is in favour of the healthy development of the industry in the long run. Domestic demand for properties remains robust as a result of China's sound economic development, rising personal income and the ongoing urbanisation process, which underscores the Group's confidence in the long-term development prospects of the domestic property market. Owing to the lacklustre sales figures reported for the final quarter of 2011, the market was not optimistic about sales in 2012 at the beginning of the year. Other than certain financially strained companies who were compelled to increase sales by slashing prices so that they might accelerate stock turnover

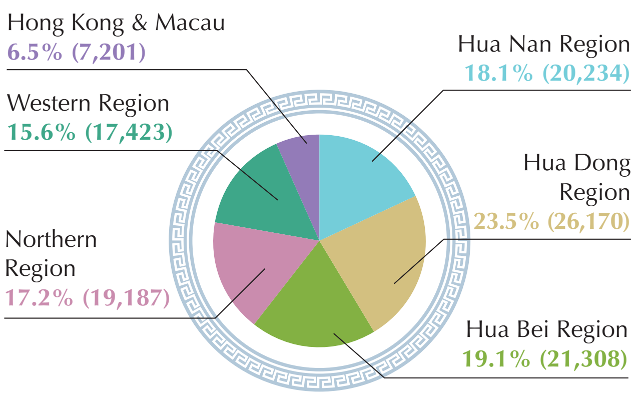
PROPERTY DEVELOPMENT (CONTINUED)

to make up for their shortage of funds, most of the property developers adopted a wait-and-see attitude regarding sales prospects. As an industry leader, the Group is fully confident that it is able to balance off any market risks through its nationwide strategic coverage. With the annual sales exceeding HK$100 billion in scale, the Group must be able to sustain relatively balanced sales on a monthly basis, regardless of market sentiments. By taking an opportunity and intensifying the sales effort, the sales of the Group in the first half of the year exceeded 80% of the annual target, as our business counterparts stayed in the sideline during this period of time. In August, the Group even lifted its annual sales target to HK$100 billion. As market sentiments further improved during the latter half, in particular when signs of rebound of the PRC economy in the fourth quarter were projected, the Group adjusted the pace of its sales appropriately to secure satisfactory prices as well as volume sold. The property sales (including sales by joint ventures and associated companies) for the year increased by 28.1% to HK$111.52 billion. Total sold area was 7.29 million sq m, an increase of 30.6% over 2011. Sales in mainland China were HK$104.32 billion, accounting for 93.5% of total sales and an increase of 23.2%. Total sold area in mainland China amounted to 7.23 million sq m, an increase of 29.9%. Sales in Hong Kong and Macau during the year increased by about 200% to HK$7.2 billion. On a full-year basis, the Group reported record-high sales with satisfactory selling prices, which was attributable to its shrewd judgment and flexible marketing strategies in response to market changes by the management, while the name of "China Overseas Property" brand was itself an effective driver in marketing promotion and helped to ease the pressure of cutting prices.

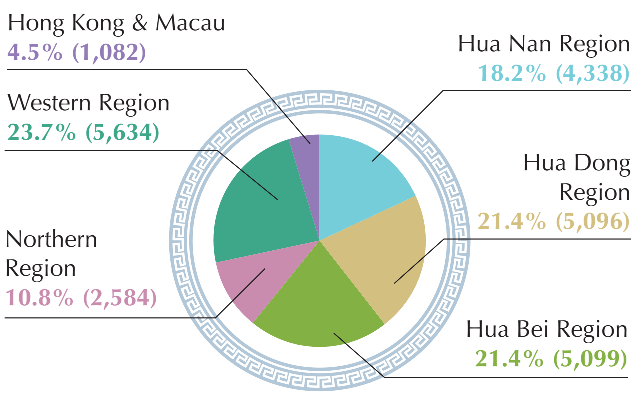
2012 PROPERTY SALES IN AREA BY REGION
'000 sq m



2012 PROPERTY SALES BY REGION
HK$ million



2012 GROSS PROFIT CONTRIBUTION BY REGION
HK$ million



PROPERTY DEVELOPMENT (CONTINUED)

In response to market changes, the Group accelerated the speed of construction of its property projects in mainland China with GFA (including joint ventures) of about 7 million sq m was completed. Total saleable area of these projects was approximately 5.41 million sq m. Net of about 60,000 sq m of long-term investment properties, about 78.0% of this had been sold by the end of 2012, corresponding to an area of 4.16 million sq m and sales value of HK$59.73 billion. After adjusting for sales related to joint ventures and sales not yet recognised at year end, the value of sales recognised as the Group's turnover in 2012 was HK$39.51 billion. Furthermore, the level of the Group's sales of properties completed as at the end of 2011 was satisfactory with about 970,000 sq m sold for approximately HK$21.90 billion. Hence, turnover for property development increased by 24.2% to HK$61.41 billion. The operating profit reached HK$21.58 billion, representing a growth of 16.8%. This was mainly attributable to the gross profit margin held steady at a satisfactory level.

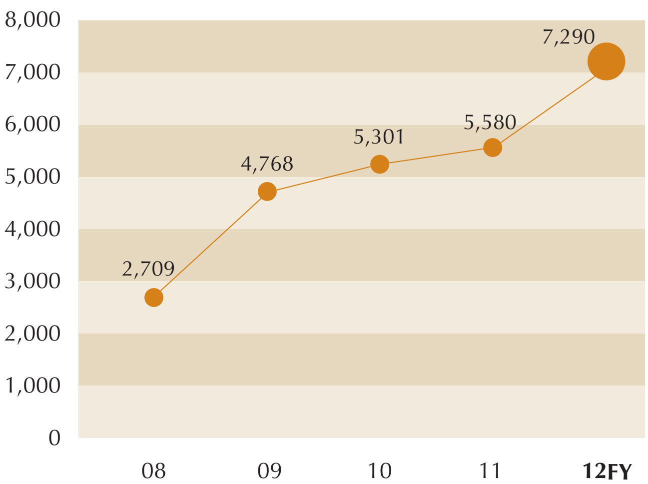
At the end of 2012, the Group had about 1.25 million sq m of properties held for sales with the cost of HK$14.36 billion, the Group and joint ventures have 2.03 million sq m properties held for sales with the cost of HK$24.56 billion. The Group increased effort on collecting sales proceeds, there was a cash inflow of over HK$100 billion from sales for the Group and the joint ventures. The pre-sales deposits were HK$58.18 billion as at the end of 2012, an increase of 73.3% compared with the previous year.

In 2013, sentiments in the property market of mainland China is expected to be generally better than 2012. More intense competition and faster market consolidation are expected. 2013 will still be a challenging year for most of the developers. As an operationally and financially sound developer with a strong brand name, the Group is in a relatively advantageous position. The Group is confident of its performance in 2013 and sees sound opportunities to enlarge its market shares, acquire prime sites and consolidate its market leadership. Prospects for the property markets in Hong Kong and Macau remain stable, especially in the luxury residential sector. With strong sales of The Green in Fanling bolstering its confidence, the Group will dedicate its effort in marketing activities for projects on hand and continue to expand its business in Hong Kong and Macau when appropriate in 2013.

The Group strives to expedite its development through joint venture cooperation and mergers & acquisitions. At the end of December 2012, the Group's investment interest in 17 joint ventures and associated companies plus amounts due from and deduct amounts due to joint ventures and

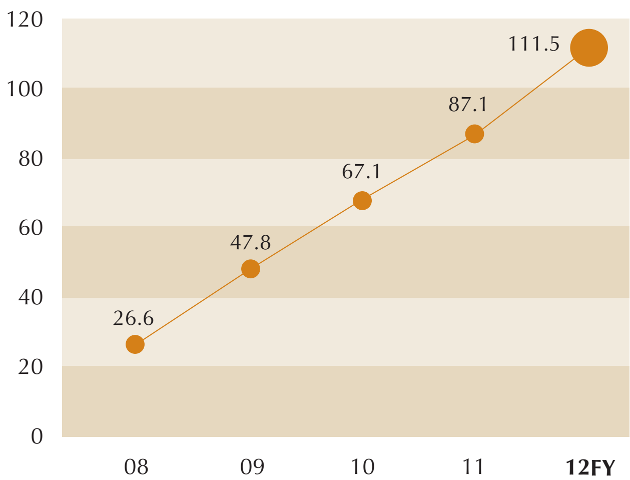
PROPERTY SALES AREA

'000 sq m



PROPERTY SALES AMOUNT

HK$ billion



PROPERTY DEVELOPMENT (CONTINUED)

associated companies amounted to HK$23.34 billion. Sales from joint ventures reached HK$26.67 billion and the recognised turnover was HK$21.5 billion. Besides, there was a cash inflow of about HK$28 billion from sales and pre-sales deposits totalling HK$17.67 billion at the year end. All the joint ventures are financially sound and they together held cash amounted to HK$12.76 billion at the year end, of which 10 joint ventures have HK$4.22 billion of bank loans. Since most of the joint venture projects are large scale and close to the completion phase, the profit contribution for 2012 increased significantly to approximately HK$2.30 billion. Furthermore, COGO is the major associated company of the Group and is expected to develop rapidly in the coming years which will effectively complement the business of China Overseas Property. COGO reported good performance in 2012 with a net profit of about HK$2.49 billion. After adjusting for the profit booked by the Group when the control of COGO was acquired in 2010, the Group still recorded a net profit of about HK$340 million from COGO.

GFA of Projects Completed (including joint ventures) in 2012 by Region (unit: '000 sq m)

	GFA	
Hua Nan Region		
Shenzhen	15	
Foshan	192	
Zhuhai	70	
Changsha	310	
Zhongshan	77	
Xiamen	69	
Sub-total	**733**	**(10.5%)**
Hua Dong Region		
Suzhou	526	
Ningbo	46	
Hangzhou	249	
Nanjing	131	
Tianjin	336	
Nanchang	58	
Sub-total	**1,346**	**(19.3%)**
Hua Bei Region		
Beijing	531	
Jinan	513	
Sub-total	**1,044**	**(15.0%)**
Northern Region		
Changchun	296	
Shenyang	1,078	
Dalian	95	
Qingdao	471	
Sub-total	**1,940**	**(27.9%)**
Western Region		
Xi'an	549	
Chongqing	669	
Chengdu	688	
Sub-total	**1,906**	**(27.3%)**
Total	**6,969**	

Property Development (Continued)

In 2013, it is planned that the Group will commence development of an area of 10 million sq m, bringing the total area under development to over 25 million sq m at the peak time. Projects with GFA of 9 million sq m will be completed in 2013.

GFA of Projects to be completed (including joint ventures) in 2013 by Region (unit: '000 sq m)		
Region	**GFA**	
Hua Nan Region	2,055	(22.8%)
Hua Dong Region	1,815	(20.1%)
Hua Bei Region	770	(8.6%)
Northern Region	2,890	(32.1%)
Western Region	1,445	(16.0%)
Hong Kong & Macau	38	(0.4%)
Total	**9,013**	

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development

HUA NAN REGION

International Community, Changsha

Yuelu District, Changsha (100%-owned)

International Community, Changsha, is located at the Ecological Wetland Park Area in Yanghuyuan. It enjoys convenient traffic and requisite view of the Nature. The project offers total GFA of approximately 1.33 million sq m and has planned for 70,000 sq m of community facilities such as commercial spaces and a large swimming pool. A total of 9,127 residential units are scheduled for development in five phases. Initially launched in November 2011, Phase I has been well received by the market and approximately 70% of the units were sold. Currently, superstructure of Phase I has been completed, while Phase II is under construction and completion is scheduled for 2013. Phase III and IV are scheduled for completion in 2014, while Phase V is expected to be completed by 2015.

The Piedmont

Baiyun District, Guangzhou (100%-owned)

Situated within the core section of Baiyun New City under Baiyun Mountain, The Piedmont enjoys the benefit of natural ecological resources, which are so scarce in urban centres, in a prime location of Metropolitan Guangzhou. The project features large, flat storeys with one residence only on each floor and presents the first low-density luxury home complex at the foot of Baiyun Mountain. The project occupies a site area of 20,795 sq m in aggregate and provides total GFA of 58,586 sq m, comprising 6 blocks each of 17–21 storeys. The progress of construction is smooth and superstructure is currently being carried out. Completion is scheduled for September 2013.

Garden view of The Piedmont, Guangzhou

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

HUA DONG REGION

Royal Bay

**Gusu District,
Suzhou (100%-owned)**

Located at the interchange of Hudian Road and Ouqian Street in Jinlu New City of Gusu District, Royal Bay occupies a site area of approximately 160,000 sq m and offers total GFA of approximately 535,000 sq m. The project comprises mini high-rise and high-rise blocks developed in two phases, planning for total units of 3,900. Currently, the main building of Phase I have been completed, while construction of Phase II is progressing well. Approximately 2,100 units were officially launched for sale in late March 2012. Response has been satisfactory with over 50% of the units were sold.

Sunrise Manor

**Xihu District,
Nanchang (100%-owned)**

Sunrise Manor is located at the centre of Chaoyang New City, the project is geographically well-positioned with superior views. It comprises 3 complexes namely "Park View", "Platinum Palace" and "City Bank", respectively which built over a site of approximately 176,000 sq m and offering total GFA of 490,000 sq m. Villas, mini high-rise and high-rise apartments are offered. "Parkview" was launched for sale in April 2012 with a very enthusiastic response that nearly 90% of the units were sold. Construction work is substantially completed and completion is scheduled for the end of June 2013. "Platinum Palace" and "City Bank" are currently under construction and the whole project is scheduled for completion by June 2015.

Platinum Sunrise Palace of the Manor, Nanchang

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

HUA DONG REGION

The Majestic
Pukou District,
Nanjing (100%-owned)

The Majestic is located at the interchange of Tuanjie Road and Zhuquan West Road in Zhujiang Town which is the CLD of the future Pukou New City. The project will be developed in 2 phases with total GFA of approximately 440,000 sq m providing approximately 2,800 residential units in 26 buildings. It is scheduled that Phase I will be completed by December 2014 and the entire project will be completed by 2015. The project was launched in 5 batches between early March and the end of 2012, with strong buyers' enthusiasm, over 90% of the units have been sold.

The Amethyst
Putuo District,
Shanghai (50%-owned)

Located at Tongpu Road in Putuo District of Shanghai, The Amethyst comprises mini high-rise residences and townhouses with total GFA of approximately 440,000 sq m. The project will be developed in 2 phases, with Phase I scheduled for completion by the end of 2013. Pre-sale of Phase I was launched in May 2012 with an encouraging response that over 60% of the units have been sold. Construction of Phase II will commence in early 2013 and completion is scheduled for April 2014.

The Majestic, Nanjing

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

HUA BEI REGION

Peaceland Cove

Hebei District, Tianjin (50%-owned)

Peaceland Cove situated at the interchange of Tiedong Road and Zhicheng Road in Hebei District, is an integrated complex above a metro station that brings high-end accommodation, lifestyle commercial activities and hotel apartments under one roof. It provides total GFA of approximately 600,000 sq m in 4 phases. Phase I has been completed for occupation, while the superstructure of Phase II and III have been completed with over 80% units were sold. The construction of Phase IV is progressing well and completion is scheduled in 2014.

COLI City, Shenyang

NORTHERN REGION

COLI City

Yuhong District, Shenyang (100%-owned)

The COLI City is located at Yuhong District in Shenyang, facing Baishan Road to the south and Sanhuan Road to the north with Xijiang Street running through. It is the largest and most comprehensively equipped residential project in Shenyang so far, occupying a site area of 1.27 million sq m with total planned GFA of approximately 3.39 million sq m. Upon completion, it will provide over 20,000 residential units. In addition, this core development for future living will be complemented by 500,000 sq m of retail space for thriving commercial activities as well as increasingly sophisticated municipal facilities. COLI City is being developed in 8 phases. Phase I with total GFA of 580,000 sq m was fully completed in June 2012, while Phase II and III, with total GFA of approximately 1.24 million sq m is scheduled for completion in mid-2016. The remaining phases are under planning. Over 8,000 residential units from Phase I, II and III were launched for sale in 2012 or earlier and they have received excellent response from the market.

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

NORTHERN REGION

Violet Palace

Gaoxinyuan District, Dalian (100%-owned)

Situated next to the Lingshuiwan Metro Station, Violet Palace in Dalian offers one-stop services for commercial activities, daily living and transportation. It also claims a superior cultural setting with the presence of three universities and colleges in the neighbourhood with sophisticated community amenities. Built in Neoclassical style with simple but eminent lines of design. The classic architectural style is presented in a modern way. The project is developed in 3 phases with total GFA of approximately 290,000 sq m. Construction is currently underway as scheduled. Approximately 1,900 units were launched for pre-sale in 2012. Sales were satisfactory with Phase I and II close to 90% were sold.

Violet Palace, Dalian

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Golden Violet, Changchun

NORTHERN REGION

Golden Violet

Nanguan District, Changchun (100%-owned)

Golden Violet is situated at the urban economic development zone in southern Changchun where a better ecological environment is found and it is positioned as high quality luxury products. The project is divided into 4 land blocks for development with total site area of approximately 140,000 sq m and GFA of approximately 310,000 sq m. The whole project will provide 734 residential units and 1,165 apartment units in total. Construction is under good progress and completion is scheduled for December 2014.

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

WESTERN REGION

West Zone, One City South

Gaoxin District, Chengdu (100%-owned)

The West Zone of One City South is the only core CBD villa and premium luxury residential development in the financial city of City South. Occupying prime land resources of the financial city, the project is privileged with a central villa view park and lavish balconies that command panoramic views of the financial city. The project is being developed in 2 phases. Phase I, One Villa South, comprising low-rise residences that provides 102 units in total, has been completed. Market response to the two launches in July and September 2012 was excellent and, as of now, all of the units has been sold out. Southern Mansion of Phase II features high-rise residences with 1,609 units. Construction work is progressing well and completion is scheduled for December 2013.

The Throne

Jiangbei District, Chongqing (50%-owned)

As the only mid-level luxury riverside residential project with GFA reaching 1 million sq m situated next to IFC of Jiangbeizui, The Throne offers premium value to both investors and homebuyers looking for top quality. With total GFA of over 1 million sq m, the project will be developed in 3 phases to supply over 7,000 residential units in aggregate. The Throne was launched for sales during 2012 in 4 batches, each of which was met with enthusiastic response, making it the best-selling project among high-end properties in central Chongqing. Out of the 1,800 units launched in total, over 70% of the units have been sold. Phase I is currently under construction with sound progress. The entire development is scheduled for completion by mid-2017.

West Zone, One City South, Chengdu

PROPERTY DEVELOPMENT (CONTINUED)

Major Projects Under Development (continued)

Name of property and location	Group's interest %	Intended use	City	Expected completion	Site area '000 sq m	GFA '000 sq m
International Community, Yuelu District	100	Residential	Changsha	2015	360	1,330
The Piedmont, Baiyun District	100	Residential	Guangzhou	2013	21	59
The Green, Fanling	100	Residential	Hong Kong	2013	88	58
La Cité, Jimei District	100	Residential	Xiamen	2013	92	213
Quarteirao Lot 19 (A1/M) Project Newly Reclaimed Land	85	Commercial/ Residential	Macau	2014	7	65
Royal Bay, Gusu District	100	Residential	Suzhou	2014	160	535
Sunrise Manor, Xihu District	100	Residential	Nanchang	2015	176	490
The Amethyst, Putuo District	50	Residential	Shanghai	2014	142	438
The Majestic, Pukou District	100	Residential	Nanjing	2015	169	436
The Phoenix, Gulou District	100	Residential	Nanjing	2014	169	570
Peaceland Cove, Hebei District	50	Residential	Tianjin	2014	150	600
COLI City, Yuhong District	100	Residential	Shenyang	2020	1,274	3,390
La Cité, Huanggu District	100	Residential	Shenyang	2017	716	2,563
Violet Palace, Gaoxinyuan District	100	Residential	Dalian	2015	83	290
Golden Violet, Nanguan District	100	Residential	Changchun	2014	140	310
West Zone, One City South, Gaoxin District	100	Residential	Chengdu	2013	91	380
International Community, Shizhong District	100	Residential	Jinan	2016	1,679	2,552
International Community, Licang District	100	Residential	Qingdao	2016	402	1,695

Property Development (Continued)

China is a vast country whose economy is developing at varying rates, and its property markets are also at different stages. However, comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group has focused on luxury property market in Hong Kong and Macau recently, and its products have been highly acclaimed by the general public. Since the performances in Beijing, Foshan and Hong Kong and Macau were outstanding in 2012, we would like to highlight them below.

HONG KONG AND MACAU COMPANY

In 1985, the Group invested into property business in Hong Kong and grew rapidly. It became the core business of the Group and as the major asset when listing on The Stock Exchange of Hong Kong Limited in 1992. While Hong Kong property prices dropped drastically in the 1997 Asian financial crisis, the real estate market was quiet and the Group suspended land purchase in Hong Kong temporarily. The Group has invested in the mainland real estate market significantly since 1998. The Group decided not to quit the Hong Kong and Macau markets and has resumed new investments in Hong Kong market in 2005. Recently, the Group focuses on the development of high-end residential projects. "No. 1 Oxford Road" and "No. 6 Stanley Beach Road" are two recent luxury residential projects not just bring in huge profits for the Group but also receive high reputation from the market and lay the foundations for success in the high-end market. In 2009, the Group seized the chance appeared in a brief drop of the Hong Kong property market after the global financial crisis and confirmed the premium negotiation of "The Green", a residential project at Lin Tong Mei Fanling, with the

The Grandeur, Hong Kong

PROPERTY DEVELOPMENT (CONTINUED)

Club house of The Green, Hong Kong

Interior design of The Paragon, Macau

Government at a relatively low cost. In early 2012, the Group successfully launched the sales campaign of "The Green" with a thorough marketing plan. The market was impressed with the superb construction quality demonstrated in on-site show flats and clubhouse. More than 200 houses were sold within two weeks which is a record in 2012. The contracted sales value of the project amounted to HK$4.65 billion.

The first project of the Group in Macau was the residential development "La Cite" in 2005. The pioneer property design and marketing campaign have successfully drawn the attention of the prospective purchasers from 23 different countries and regions. The total sales revenue of "La Cite" reached HK$3.5 billion and the project contributed a substantial profit to the Group. In 2011, the Group launched the sales campaign of a luxury residential project, "The Paragon", which adopts a distinguished design and is a spectacular waterfront landmark building situating at the prime Dynasty district of Macau. "The Paragon" will be managed by a newly formed property management team offering hotel-standard management services to the residents. The design and the new concept of property management are greatly welcomed by the purchasers. Over 75% of the total units of "The Paragon" have been sold since the launch of the sales campaign, contribution a total sales value of HK$2.0 billion.

The Group has accumulated nearly three decades of experience in the property markets of Hong Kong and Macau. We always uphold the spirit of "Exercise caution in details and implementation. Build a strong foundation to seek greater success". Over all the years, the Group has established a good reputation and brand in the high-end market. In 2012, properties with an aggregate floor area of 61,820 sq m were sold for HK$7.2 billion. Turnover amounted to HK$1.97 billion and operating profit amounted to HK$930 million. Currently, there are 9 developing projects representing a total floor area of about 170,000 sq m. About HK$12.35 billion has been invested so far on these projects and HK$8.25 billion is needed to complete these projects. The Group has investment properties of 35,000 sq m, generating HK$0.12 billion rental income annually. In 2013, the Group anticipates that the property market of Hong Kong and Macau, which benefit from the sustained economic development of mainland China, will continue to grow amid stability.

The Group is a leader in the China real estate market with excellent performance. The focus of the Group naturally will be in mainland China. Looking ahead, the Group will continue to appropriately invest in Hong Kong and Macau market in a stable manner. The Group will closely follow the market conditions and will strive for excellence and greater success.

PROPERTY DEVELOPMENT (CONTINUED)

BEIJING COMPANY

The risk in Beijing's property market further increased and overall trading prices continued to be lower in 2012, as the Beijing Government persisted in the implementation of the property market regulation policy. Under the immense pressure of market regulation, Beijing Company conducted thorough analyses for a more accurate gauge of the market pulse. On the back of in-depth market research and customer research, accelerated assets turnover and cash collection were achieved to effectively raise the level of investment return for development projects, while continued endeavours were made to reinforce our management fundamentals. Notable results with growth in both scale and profit were accomplished due to these efforts. In 2012, units of Residence 9 and Perfect Manor were launched in 3 batches, each of which were met with enormous success. The first and second launches, in particular, each reported sales of over RMB1.5 billion which set a new record for daily sales of China Overseas Property and become a pole development in the capital city's market for luxury homes.

In 2012, Beijing Company achieved revenue of RMB7.2 billion and the sale of 5,922 units of various types of property. Cash inflow, turnover and operating profit amounted to RMB8.12 billion, RMB7.68 billion and RMB3.36 billion, respectively. Beijing Company ranked top on the property sales chart of the Group for three consecutive years.

Our growing brand recognition and reputation were underpinned by more than 20 honours and awards received by Beijing Company in 2012. In recognition of its scores in four benchmarks measured by "sales amount, area sold, destocking ratio and customer satisfaction", Beijing Company was awarded the "Leading Enterprise of the Beijing Property Market 2012" by the China Index Academy and the China Real Estate Index System, which further testified the integrated strengths of Beijing Company. Among the honours received, the China Civil Engineering Jian Tian Yao Award 2012 — Gold Award (Residential Community) for Residence 9 recognised its excellent architectural designs and exquisite landscape views.

At present, land resources in Beijing are scarce with serious shortage of supply of new land, and the turn to suburban areas for land supply has become an important trend in recent years. Nevertheless, given the increasing concentration of the property sector and the factors of population and urbanisation, etc that benefit first-tier cities such as Beijing, the potential demand in the capital city's market remains enormous. By comparison to third-tier or fourth-tier cities, Beijing has the potential to offer stronger profit contribution at lower risks and therefore remains a hotly contested market for major property players who look to consolidate their market positions and sustain stable sales.

PROPERTY DEVELOPMENT (CONTINUED)

Beijing Company has reported significant progress and growth in its business scale and profitability since recent years, and has become an undisputed leader in the Beijing property market. To ensure that Beijing Company will continue to follow the trend of urbanisation and sustain a strong momentum for rapid and healthy development, the company will focus on the following in future:

1. ongoing exploration of the Beijing property market and increased investment in Beijing to ensure sustained market leadership in future.

2. Close monitoring of the changes in market demand to further enhance the overall competitiveness of our products.

3. Ongoing initiatives in management innovation to improve system administration capabilities, further standardise the Company's operations and reinforce our management fundamentals.

4. Enhancement of our ability to develop and operate commercial properties to establish a prestigious position with dual emphasis on commercial properties and residential properties.

Perfect Manor, Beijing

PROPERTY DEVELOPMENT (CONTINUED)

FOSHAN COMPANY

Foshan is the third largest city of Guangdong Province located in the middle section of Pearl River Delta region, one of the cities with the most formidable and thriving economic strength in China. The city of Foshan spans over a land area of 3,868 sq km. and is divided into 5 districts: Nanhai, Shunde, Chancheng, Sanshui and Gaoming. Foshan is geographically adjacent to Guangzhou, with which it shares a common historical and cultural heritage and forms the "Guangzhou-Foshan Metropolitan Circle." As such, Foshan is an important component of the "Guangzhou-Foshan Metropolitan City" "Guangzhou-Foshan-Zhaoqing Economic Circle" and "Pearl River Delta Economic Circle" and plays a leading role in Guangdong Province's economic development. In 2012, Foshan's property market has sustained a trend of healthy growth. In the coming years, more robust market demands are expected in light of the upgrade of Foshan's industrial sectors and massive influx of population brought about by the outflow of population from Guangzhou.

The mainland continued to deploy stable yet stringent regulatory measures towards property market in 2012. Foshan Company responded to such challenging conditions by formulating and resolutely implementing a strategy underpinned by "quality operation, standardised management and sustainable development," as it vigorously followed the Group's strategic directions in close integration with the internal status of the Company as well as external conditions of the market. Total sales revenue in 2012 generated from Gold Coast, Eastern Garden and No. 1 Lake Lantern amounted to RMB5.02 billion. In view of the lack of sufficient land reserve to cater the development of the Company, timely replenishment was made in 2012 thanks to a successful bid secured through diligent efforts for a land site in the financial Gaoxin District of Nanhai at the floor price of RMB1.45 billion, for the development of Glorious City.

In 2012, Foshan Company garnered numerous honours and awards, including the China Civil Engineering Jian Tian Yao Award 2012 — Commendation for Outstanding Planning Award (Residential Community) for Eastern Garden in recognition of its outstanding project planning.

PROPERTY DEVELOPMENT (CONTINUED)

Since establishing its presence in the Foshan market in 2004, Foshan Company has ranked among the top 3 property developers in Foshan in terms of market shares on the back of the solid operations and management expertise. Average annual sales revenue for the years 2009 to 2012 amounted to RMB5.0 billion. As the third largest city of Guangdong Province, Foshan's property market is well developed with strong potential. In particular, the eastern area of Nanhai District of Foshan, which profoundly benefits from the development "Guangzhou-Foshan Metropolitan City" given its seamlessly connected to Guangzhou, has become the area with the highest investment value in Foshan's property market. Currently, substantially all projects held in operation or for development by Foshan Company are situated at prime locations in the eastern area of Nanhai District connected to Guangzhou. Given the premium quality, formidable size of its land resources, stronger ability to counter market risks and the support of the Group, Foshan Company will actively identify opportunities in markets with good potential to drive the Company's development towards greater depth and broader scope, so as to maintain its brand influence and market position in Foshan.

Gold Coast, Foshan

PROPERTY INVESTMENT

Fuhua Lane, Zhuhai

PROPERTY INVESTMENT (CONTINUED)

Annual Summary

- *Investment properties held as at the end of 2012 with GFA amounted to 520,000 sq m.*
- *Total area of commercial property under development and yet to be developed amounts to about 3 million sq m. Most of this will be completed before 2015 and about 50% will be retained as long-term investment property.*
- *Annual rental income was HK$580 million.*
- *Increase in fair value of investment property amounted to HK$3.65 billion, mainly coming from completed investment properties such as Beijing China Overseas Plaza, Beijing China Overseas Property Plaza, Chengdu China Overseas International Center Phase One and China Overseas Building in Hong Kong and investment properties under construction such as Nanjing China Overseas Building.*

PROPERTY INVESTMENT (CONTINUED)

The Group is striving to develop a series of high-quality investment properties. Following the completion of Chengdu China Overseas International Center Phase Two at the end of 2012, the Group held an aggregate of 520,000 sq m of investment properties in Hong Kong and mainland China. The overall occupancy rate of the Group's investment properties was satisfactory. Total rental income for the year was HK$580 million, representing an increase of 56.8% over 2011. Total rental income arising from Hong Kong amounted to HK$120 million, while that from the mainland amounted to HK$460 million. Segment profit amounted to HK$4.15 billion, which included an increase in fair value of investment properties of HK$3.65 billion (net income after deferred tax was HK$2.92 billion).

COMPLETED INVESTMENT PROPERTIES

The Group's completed office buildings are premium properties in well-chosen location. Their tenants include multi-national companies, financial institutions and large-scale domestic enterprises who are attracted by the traffic convenience and the outstanding building quality they offer.

Chengdu China Overseas International Center Phase Two, the Group's latest investment property completed at the end of 2012, is a Grade A office building with a total GFA of approximately 60,000 sq m. The development features a unique diamond-shaped triangular exterior wall and the odd-number levels are built as wide-angle double storeys with hanging gardens to provide excellent platforms for business meetings. The leasing campaign is progressing well and was welcomed by the market. Phase One of the project, completed in late 2011, performs well in the rental market with an occupancy rate of 70%. Tenants are mainly large-scale domestic enterprises and financial institutions. We have 7 other Grade A office buildings and commercial properties in Chengdu which are under development in different phases, providing total GFA of approximately 640,000 sq m.

China Overseas Property Building, China Overseas Plaza and China Overseas Property Plaza, all locate at prime sites in Beijing and perform well in the rental market with high occupancy rates. Tenants are mainly large-scale international enterprises and financial institutions. These buildings feature modern designs, advanced equipment and innovative environmental protection facilities. China Overseas Plaza has received LEED (Leadership in Energy and Environmental Design) Gold Certificate awarded by the U.S. Green Building Council.

PROPERTY INVESTMENT (CONTINUED)

MAJOR COMPLETED INVESTMENT PROPERTIES

	Name of property and location	Group's interest %	City	Year of lease term expiry	Approximate GFA sq m
(a)	China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	100	Hong Kong	2047	19,485
(b)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	100	Beijing	2051	24,226
(c)	China Overseas Plaza, Jianguomenwai Avenue, Chaoyang District, Beijing	100	Beijing	2053	139,476
(d)	China Overseas Property Plaza, West Bin He Road, Yong Ding Men, Dong Cheng District, Beijing	100	Beijing	2043	81,619
(e)	China Overseas International Center Phase One, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	133,294
(f)	China Overseas International Center Phase Two, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	67,582
(g)	China Overseas Building, No. 36 East Longteng Road, Wuhou District, Chengdu	100	Chengdu	2045	34,825

Property Investment (Continued)

Investment properties under construction

The Group continues to adhere to the strategy of increasing the weighting of investment properties to provide stable income, with a long-term goal of deriving more than 20% of its total profit from investment properties.

The Group develops premium investment properties mainly in Chengdu, Shenyang, Jinan, Nanjing and Zhuhai. Currently, the total area of commercial property under development and yet to be developed by the Group amounts to about 3 million sq m. Most of this will be completed before 2015 and about 50% will be retained as long-term investment property.

Located in the core Ring One section of Huanggu District, Shenyang China Overseas Plaza enjoys a superior geographical position with unobstructed traffic access. The development comprises a large-scale premium commercial complex and Grade A offices with a total GFA of approximately 140,000 sq m. The project is scheduled for completion in 2014 and the leasing is progressing well and was welcomed by the market.

Jinan China Overseas Plaza is the city's most spectacular commercial complex located at a prime site with extremely convenient traffic access. It comprises Grade A offices and large-scale commercial complex with a total GFA of approximately 140,000 sq m. Upon completion, the project will provide a centre for "one-stop" living in the southern part of Jinan with the highest standards and the most desirable environment. Featuring modern designs and unique architectural styles project, the project has won the "2012 Double Gold Award in Classic Planning and Architecture for Residences in China" on the back of outstanding architectural planning and design concepts. Currently, China Overseas Plaza has concluded tenancy agreements with numerous well-known retail brand names and leasing activities are progressing well. The large-scale commercial complex is scheduled for completion in 2013, while the Grade A offices are scheduled for completion in 2014.

Other projects under development include Tianjin China Overseas International Building, Jinan International Community C-3, Nanjing China Overseas Building, Zhuhai China Overseas Building and Zhuhai China Overseas Plaza Tower. Located at prime sites with comprehensive traffic access, all of the above developments are going provide premium offices and commercial spaces which will further refine the Group's investment property portfolio.

Property Investment (continued)

Investment properties under construction

	Name of property and location	Group's interest %	City	Year of expected completion	Year of lease term expiry	Approximate GFA sq m
(a)	China Overseas International Building, Bin He West Road, Tanggu District, Tianjin	100	Tianjin	2015	2049	166,924
(b)	China Overseas International Center Phase Three, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2015	2048	204,876
(c)	West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2015	2048	229,829
(d)	Renhe No. 39 land of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2015	2048	202,415
(e)	China Overseas Plaza, Ta Wan East Road, Huanggu District, Shenyang	100	Shenyang	2014	2049	140,377
(f)	China Overseas Plaza, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2014	2049	140,257
(g)	International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2015	2049	163,300
(h)	China Overseas Building, Phoenix West Road, Gulou District, Nanjing	100	Nanjing	2014	2048	165,718
(i)	China Overseas Building, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2017	2048	245,608
(j)	China Overseas Plaza Tower, Bai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2014	2050	222,510

Property-related Businesses

Shenzhen Bay Technology and Ecology City, Shenzhen

Property-related Businesses (Continued)

Planning and Architectural Design

Established in 1986, Hua Yi has grown into a nationwide provider of integrated services in architectural design and city planning. Over 26 years of development, the company has established 8 branches in Shanghai, Nanjing, Wuhan, Beijing, Chongqing, Guangzhou, Xiamen and Chengdu.

Hua Yi has a high quality professional team of over 780 staff, providing design services for planning, architecture, structure, mechanical and electrical equipment and interior decoration, etc. It is mainly engaged in undertaking design services for public and civil buildings, urban design, residential community planning, interior decoration and design, preliminary consultation and architectural planning research, etc. To date, Hua Yi has completed about 1,300 projects, covering urban planning, large-scale residential complex, integrated office buildings, hotels, medical architectures, high-rise and ultra high-rise structures etc. A total of 120 branded projects of Hua Yi have been honored with over 300 outstanding design awards at national or provincial levels or presented by the Shenzhen municipal government.

Hua Yi won further public acclaim and recognition in 2012 with the launch of widely influential public architectures and numerous award-winning (provincial level or above) residential projects, such as the Caesars Place Longmu Bay of International Tourism Resort of Longmu Bay, Hainan, Guiyang International Finance Centre, Shenzhen Bay Technology and Ecology City. During the year, Hua Yi was accredited a “National High and New Tech Enterprise” and products designed by Hua Yi received numerous awards such as “The First Prize of 2012 Excellent Architectural Design of CSCEC”. Meanwhile, the company made persistent efforts to invest in IT development and vigorously promoted technology upgrades for the “Building Information Modeling (BIM) Design”. Through the recruitment of high-calibre staff and the internal training of professional teams, the company is now equipped with the technical ability to apply BIM technologies in the design of the entire process. Through signature BIM projects such as Nanjing CSCEC Grand Tower and Jinan Unipark shopping mall, Hua Yi has established its leadership in technology among peers. In this connection, it has been appointed as the chairing unit of Shenzhen BIM Working Committee to be in charge of coordinating the formulation of Shenzhen industry standards for BIM technologies. Its products have also won numerous accolades in BIM Contests in and outside China. During the year, Hua Yi signed 56 projects in urban planning and design and successfully implemented influential planning projects such as Shenzhen Qianhai Commercial Land, Gaolong Bay in Hainan and Mianyang Gardening Centre, etc, highlighting its leading edge in the intense competition among “Architectural — Urban Planning’s double class — A platform”.

In 2012, new contracts signed by Hua Yi exceeded HK$750 million. Turnover and operating profit amounted to HK$430 million and HK$61 million, respectively.

Property-related Businesses (Continued)

China Overseas Property Management has been making persistent efforts to improve its service quality

PROPERTY-RELATED BUSINESSES (CONTINUED)

PROPERTY MANAGEMENT

As the Group's property business continues to grow and expand, China Overseas Property Management has also been making continuous efforts to improve its service quality in tandem with the rapid development of its property business, with a view to enhance the value of the Group's property brand.

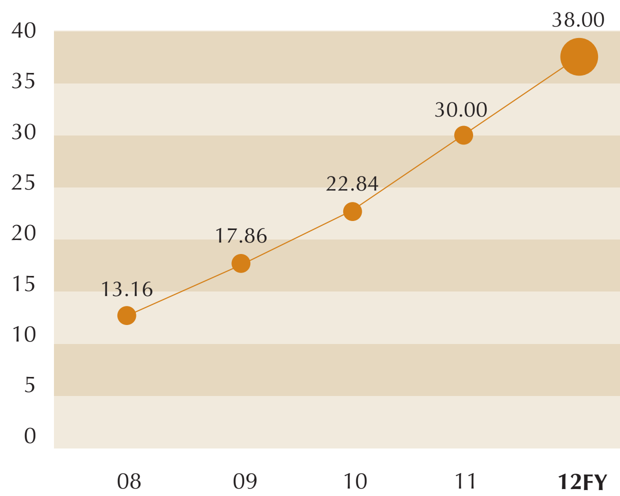
China Overseas Property Management is also committed to expand its market for higher profit return. During the year, China Overseas Property Management secured a number of contracts in property management service and consultancy with its excellent service quality. In 2012, the Group's property management fee income amounted to HK$1.33 billion (including HK$200 million from Hong Kong and HK$1.13 billion from Mainland China), representing an increase by 22.0% as compared to 2011. GFA under management exceeded 38 million sq m, an increase by 26.7% as compared to the previous year.

To enhance its service quality and fulfill the needs of all residents to their satisfaction, a Value-added Service Centre was established by China Overseas Property Management during the year to provide a diversified range of comprehensive services for residents. Initial work for certain specific value-added services, such as the LED business, insurance business and courier business, etc, have already started and trial runs of the courier service have commenced in Shenzhen and Hua Dong District. The brilliant management services and excellent servicing standards of China Overseas Property Management are well recognised by the industry, as evidenced by the number of awards received, such as the title of "Projects of Excellence of the Province" awarded to 5 projects, including International Community, One South Lake and Golden Spot in Changchun, The Silvercarse in Qingdao and The Prime Manor in Dalian.

In accordance with its resolute sense of social responsibility and corporate citizenship, China Overseas Property Management promote on all fronts the concept of a green, environment-friendly, hygienic and healthy lifestyle. Environmental initiatives such as energy conservation, reduction in consumption, green operation, refuge streaming, battery recycling and collection of household animal excretion, etc were actively rolled out to drive the long-term goal of the company in sustainable development. For example, 9 property management projects run by the Group won environmental awards presented by various institutions, while plantation activities organised by China Overseas Property Management in association with commercial tenants for the building of a "China Overseas Corporate Forest" through joint efforts reported annual plantation of more than 10,000 trees on average.

PREMISES MANAGED BY THE GROUP

million sq m



Customer Service and Relationships

In line with its appreciation of the importance of building long-term relationships with customers and tenants, the Group committed to providing a diverse range of eternal and excellent residences and premium services for customers and tenants.

Customer Service and Relationships (Continued)

"China Overseas Property" is a leading brand name in China's property sector with the "Creation of Spectacular Life," as the brand proposition, the core value of the brand shows highly concern for its customers. The Group strives to improve its customer service standards.

In 2012, the Group continued with efforts to improve its after-sales service capabilities on the back of the CRM (customer relationship management) system: in line with its emphasis on improving its ability in product delivery, the "iPad clicking input and tracking system" was developed as a complementary setup of the CRM system to provide more convenient property delivery to owners; in line with its emphasis on enhancing its ability in product maintenance, on the other hand, sound after-sales maintenance systems have been established in each city and preliminary work for the establishment of pilot maintenance centres has also started, achieved in solving over 97% of problems reported, representing significant improvements in the timeliness and properness of product maintenance.

In line with its appreciation of the importance of building long-term relationships with customers and tenants, the Group seeks to understand customers' needs through different means and is committed to providing a diverse range of excellent residences and premium services for customers and tenants. In October 2012, the Group launched an annual customers' and tenants' satisfaction survey and collected comments and opinions from customers and tenants on which provide the basis for ongoing improvements for the quality of its products and services. Since 2011, the Group has been engaged in a series of the "Co-building of Eternal and Excellent Products" events on the basis of the said survey and other information collected during the course of day-to-day services. Upgrades have been carried out for 30 residential developments across the nation which have completed for 2 years or above, with measures to enhance community security systems, increase recreational facilities and improve product designs, etc. Such initiatives have won wide acclaim among customers.

Moreover, China Overseas Property Club (COPC), established to facilitate two-way communications between the Group and the market, currently has a steady growth of membership of over 200,000. In 2012, COPC continued to organise a wide range of activities for owners of different ages and backgrounds, to enhance communications with its members, demands and recommendations are collected from time to time to enhance the quality of the services. In 2012, COPC focused on promoting the customer interaction programme, under which 3 nationwide activities were held, including the "Crazy Children's Day" on Children's Day (1st of June) which took place in 71 China Overseas communities in 28 cities; the "China Overseas Experience Camp for Children of Property Owners" held in various locations in August and participated by 81 China Overseas communities in 21 cities; and the "Aerobic Dance Contest for Property Owners" held in October participated by 81 China Overseas communities in 18 cities. A total of over 10,000 property owners were enrolled in these activities with enthusiastic response.

Group Finance

Financial and Treasury Management Principles

The Group has consistently adhered to the principle of prudent financial and treasury management in pursuit of effective 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 according to stipulated schedules to provide management with timely understanding of the Group's operating performance and financial condition. In terms of treasury management, the Group implemented centralised fund allocation by pooling its capital resources wherever practicable. The Group is convinced 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 should be pursued after taking into account of the financial condition of the Group, cash generation and the requirements of future operations as well as future changes in the capital market, subject to a reasonable level of borrowing (a gearing ratio of generally not higher than 40%).

Financial Performance

Shareholders' interests are always the top priority for the Group, who is dedicated to deliver value to shareholders. The Group continued to achieve record high in sales and profit despite the macro-control measures and stringent regulatory measures towards the property market in the past two years. Through expediting cash collection, increasing emphasis on capital management and appropriate leverage, the Group has maintained an average annual return on shareholders' equity of over 22% and a compound growth rate of 34.7% per annum for the net profit attributable to shareholders over the past five years (2008–2012). This comprises annual increases of over 20.0% in each of the past ten years (2003–2012), fulfilling the Group's commitments to its shareholders and investors. The profit contribution of the Group's joint venture projects, most of which being large-scale developments starting to provide returns, increased significantly in 2012 to approximately HK$2.3 billion. Profit contributions and cash flow from joint venture projects are expected to increase further in the coming years. Together with continued improvement on management, the Group is confident that it will continue to report satisfactory growth on the current high profit level and deliver sound returns to shareholders.

Financial Condition

The Group has been increasing its shareholders' fund on a continued basis in recent years to improve its financial structure and strength, which has resulted in greater capacity for fund raising and investment in future. Over the past five years, equity attributable to shareholders of the Company increased from HK$33.56 billion as at the end of 2008 to HK$87.24 billion as at the end of the 2012, underpinning significant enhancements of the Group's financial strength.

Due to the increase in speed of sales proceeds collection and strong sales in the mainland China property market, the Group's net current assets as at 31 December 2012 amounted to HK$96.29 billion, an increase of 60.3% compared with 2011, while the current ratio increased from 1.88 times for the previous year to 2.15 times this year. The Group's interest cover remained at a high level in the industry despite a decrease from 15.9 times for the previous year to 14.7 times for 2012, which reflected primarily the increase in finance cost as a result of the Group's modified debt structure.

The Group's interest cover is calculated as follows:

	2012 **(HK$ million)**	2011 *(HK$ million)*
Operating profit	**27,070**	23,388
Deducting:		
total interest income	**330**	567
	26,740	22,821
Interest expense*	**1,825**	1,431
Interest cover (times)	**14.7**	15.9

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

Group Finance (Continued)

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 improve the debt structure on a continued manner. The Group adheres to the principle of maintaining a loan portfolio comprising mainly of long-term borrowings. As at the end of 2012, debts due within one year amounted to HK$5.55 billion (comprising domestic RMB loans amounting to HK$1.01 billion) only, accounting for 9.4% of the total borrowings while the amount of debts due within two years amounting to HK$10.58 billion, accounting for only 18% of the total borrowings. As the Group anticipates that the property market in mainland China will be subject to the ongoing impact of macro-control measures in various degrees in the near future, while a number of the Group's larger property development projects in mainland China will take a prolonged period to complete, it will therefore be desirable, for the purpose of controlling cash flow risks, for the Group to increase the proportion of fixed-rate long-term debt and to strive to increase the proportion of fixed-rate long-term bonds to over 50% of the total interest-bearing liabilities within two years, when there is sufficient liquidity in the market and the low-interest environment still prevails. The Group expects that RMB will appreciate in the future, domestic RMB loans are typically of shorter maturities at higher costs, hence in the short term the Group will increase the weighting of overseas bank loans or debt financing and control the amount of domestic RMB loans at an appropriate level.

As a property developer with sound financial management, the Group requires a strong financial position with appropriate gearing and cash flow mainly contributed by sales. The Group reported satisfactory sales during the year, generating cash inflow of over HK$75.78 billion. In addition, the Group raised HK$7.6 billion in April by way of a syndicated loan and issued three tranches of bonds during the year with an aggregate amount of US$1.75 billion. Such loans and bond issues provided more than sufficient fund to meet its requirements, including major expenditures of HK$26.09 billion for land premiums, HK$29.92 billion for construction costs, and HK$16.69 billion for tax, selling and distribution, administrative and finance expenses. During the year, the Group also secured new loans amounting to RMB8.5 billion and HK$8.0 billion as well as USD loans of insignificant amounts, 81% of which were utilised mainly for loan repayment. Together with the USD bonds issued during the year, the Group has secured total financing of HK$29.5 billion for the year, and net financing amounted to HK$16.2 billion after repayment of loans amounting to HK$13.3 billion.

While emphasising the availability of adequate funds and diversified financing sources, the Group also endeavours to control the gearing level and borrowing costs. The net gearing of the Group was low at 20.5% at the end of 2012. This was mainly due to improved cash collection during the year and the fact that 50% of the new land parcels were acquired in December and hence the unpaid land premium was substantial at year end. The Group believes that maintaining a low gearing level is favorable to the catching of investment opportunities in the fluctuating market.

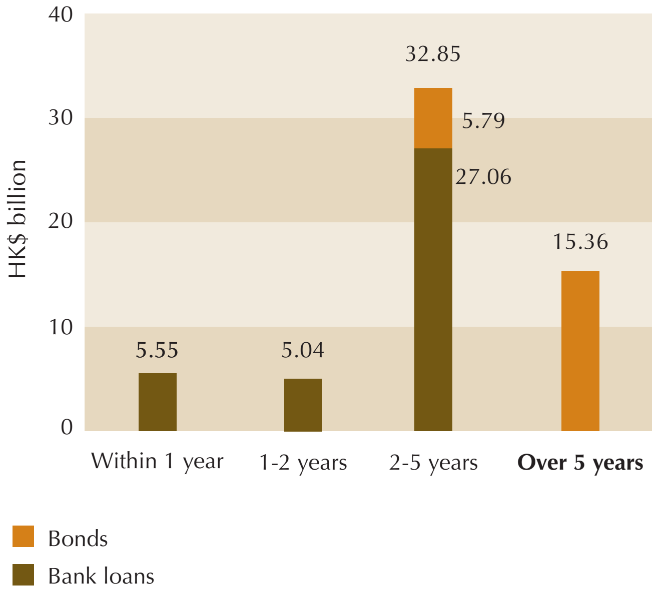
As compared with the previous year, interest expenses increased by 27.5% to HK$1.83 billion. This is mainly due to the increase of borrowings by about HK$16.2 billion as compared with last year, and as a result of relatively higher interest rates carried by long-term bonds as compared to foreign bank loans and unyielding RMB loan costs. With a higher average borrowing cost (annual interest expenses divided by average loan amount) of approximately 3.6% for 2012, the Group's borrowing cost should still be the lowest in the industry.

GROUP FINANCE (CONTINUED)

At 31 December 2012, the Group's bank loans and guaranteed notes payable amounted to HK$37.64 billion and HK$21.15 billion respectively, with repayment schedules as follows:

Repayment schedule	**2012** ***(HK$ million)***	2011 *(HK$ million)*
Bank loans		
Within one year	**5,546**	7,482
More than one year, but not exceeding two years	**5,037**	8,262
More than two years, but not exceeding five years	**27,058**	16,852
Total bank loans	**37,641**	32,596
Guaranteed notes payable		
7-year (US$300 million due July 2012)	**–**	2,338
10-year (US$1 billion due November 2020)	**7,696**	7,690
5-year (US$750 million due February 2017)	**5,787**	–
10-year (US$700 million due November 2022)	**5,364**	–
30-year (US$300 million due November 2042)	**2,301**	–
Total guaranteed notes payable	**21,148**	10,028
Total borrowings	**58,789**	42,624
Deducting:		
Bank deposits and cash	**40,932**	19,197
Net borrowings	**17,857**	23,427
Equity attributable to equity shareholders	**87,244**	71,617
Gearing ratio (%)	**20.5%**	32.7%

DEBT MATURITY PROFILE AT 31 DECEMBER 2012



At 31 December 2012, the Group's bank deposits and cash amounted to HK$40.93 billion (31 December 2011: HK$19.20 billion).

Analysis of the Group's debt and cash by currency as follows:

	Bank loans and guaranteed notes payable	**Bank balances and cash**
Hong Kong dollars	49.46%	6.06%
RMB	13.72%	82.28%
US dollars	36.82%	11.66%
Total	100%	100%

Group Finance (Continued)

Fund Raising

As at 31 December 2012, the Group's available funds approximately doubled to HK$49.15 billion, comprising bank deposits and cash of HK$40.93 billion and unutilised banking facilities of HK$8.22 billion. With the payment of outstanding balances of land premium for land acquisition in 2012 amounting to HK$19.28 billion and the continuous acquisition of land, the Group's cash in hand will gradually decrease to a relatively normal level. The Group issued a five-year bond of US$750 million in mid February, and a ten-year bond of US$700 million as well as a thirty-year bond of US$300 million in mid November. These issues have further enhanced the Group's financial strength and provided solid support for the Group's expansion in the process of market consolidation. The Group became the first PRC property developer to issue 30-year long-term bonds, an achievement which reflected the confidence of the capital market in the long-term business development and financial stability of the Group. On the back of its consistently strong business performance, leading position among listed China property developers and sound reputation, the Group has been well trusted and supported by domestic and overseas banks. The Group is currently seeking re-financing arrangements for Hong Kong dollar bank loans with an aggregate amount of approximately HK$4.6 billion due in 2013, such arrangements are expected to be completed in the second quarter of 2013.

The Company is one of the few Hong Kong listed Mainland China property development companies which have been awarded investment grade ratings by Moody's and Standard & Poor's. Such ratings reflect recognition of the Group's leading market position in China's property sector and its stable financial profile. The Group has maintained effective communication with rating agencies over the past few years to ensure that investors are informed about the Group's business approaches and financial and treasury management and to strive for their support. Our credit rating has enabled us to gain access to a diverse range of financing options both in China and abroad. In February 2013, Fitch Ratings awarded a BBB+ rating to the Company. It was the first and the highest rating ever accredited to property development companies in China. In future, the Group will continue to identify opportunities for bond issues in order to further enhance its debt structure.

Hedging Arrangements against Exchange Rate Volatility

At 31 December 2012, 64% of the Group's borrowings were made at floating rates and 36% were made at fixed rates. The Group's major currency exposure is from HK dollar-denominated bank loans and US dollar-denominated guaranteed notes. In view of potential changes in the trend of interest rates and the HK dollar-RMB and US dollar-RMB exchange rates, the Group will prudently consider appropriate timely currency and interest rate swap arrangements to hedge against such exposure. The Group has never engaged in any financial derivative instruments for speculative purpose.

Contingent Liabilities

At 31 December 2012, the Group provided, in line with usual business practice, buy-back guarantees for the repayment of bank mortgage loans amounting to HK$11.06 billion by certain buyers of the Group's properties The Company also provided guarantees in respect of guaranteed notes issued by certain subsidiaries amounting to HK$21.15 billion. The Group has never suffered any loss in the past as a result of granting such guarantees.

Directors and Organization

(From left to right) Mr. LUO Liang, Mr. XIAO Xiao, Mr. KONG Qingping, Mr. HAO Jian Min, Mr. DONG Daping, Mr. NIP Yun Wing

BOARD OF DIRECTORS

Executive Directors

Mr. KONG Qingping

Chairman

Aged 57, holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture and a degree of Executive Master of Business Administration from Harbin Institute of Technology. Mr. Kong is a guest professor at both Harbin Institute of Technology and The Hong Kong Polytechnic University and is a fellow member of the Chartered Institute of Building (UK). Mr. Kong joined China State Construction Engineering Corporation in 1982 and was seconded to Hong Kong in 1987. He became the Executive Director and General Manager of China Overseas (Hong Kong) Limited, then subsidiary of the Group, in 1997. Mr. Kong was appointed Vice Chairman and Chief Executive of the Company from 2001 and was appointed Chairman of the Company and continues to serve as Chief Executive of the Company from 22 March 2005. In June 2007, Mr. Kong decided he would no longer concurrently act as Chief Executive of the Company. Mr. Kong was a member of the Nomination Committee of the Company from 15 March 2006 to 11 August 2012 and was also the Chairman of such committee from 15 March 2006 to 1 February 2009. Besides acting as the Chairman of the Company, Mr. Kong is currently the Chairman and Non-Executive Director of **China State Construction International Holdings Limited, and the Honorable Chairman (not a director) of **China Overseas Grand Oceans Group Limited. Mr. Kong is also the Vice President of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668), a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has more than 31 years' extensive experience in management of corporate affairs, construction projects and property development. Mr. Kong leads the Board and ensures that the Board, including the Board committees, operate effectively, resultant in improving the Company's Corporate Governance continually and makes the right decisions; also supervises the strategic and risk management as well as the corporate communication functions. In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. He was also conferred the honorary title of University Fellow by The Hong Kong Polytechnic University in 2013. Mr. Kong is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed a National Committee Member of the 11th and 12th Chinese People's Political Consultative Conference in 2008 and 2013 respectively.

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

Mr. HAO Jian Min

Vice Chairman & Chief Executive Officer

Aged 48, holds a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined the Group in 1989. He was appointed director of a subsidiary of the Company in 2002 and certain others subsequently. Mr. Hao was appointed Executive Director of the Company in September 2005 and Vice Chairman of the Company in November 2006. In June 2007, he was appointed as Chief Executive Officer of the Company. Mr. Hao was a member of the Remuneration Committee of the Company from 22 March 2007 to 11 August 2012 and was also the Chairman of such committee from 22 March 2007 to 1 February 2009. Besides acting as the Executive Director, Vice Chairman and Chief Executive Officer of the Company, Mr. Hao is currently the Chairman and Non-Executive Director of **China Overseas Grand Oceans Group Limited, a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has about 26 years' experience in construction and property business. Mr. Hao leads the management team and is responsible for the day-to-day operations of the Group.

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

Mr. XIAO Xiao

Vice Chairman & Senior Vice President

Aged 56, 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 in February 2005, was appointed Vice Chairman of the Company in March 2007 and has been appointed the Senior Vice President of the Company in August 2009. Besides acting as the Executive Director, Vice Chairman and Senior Vice President of the Company, Mr. Xiao is currently a director of China Overseas Holdings Limited and certain of its subsidiaries, and also a director of certain subsidiaries of the Group. He has about 31 years' experience in construction and property business. Mr. Xiao manages the property development business in Hong Kong, Zhuhai and Macau, together with the internal audit functions.

Mr. DONG Daping

Vice President

Aged 53, graduated from Heilongjiang University and holds a Master of Engineering Management degree from Harbin Institute of Technology, Senior economist. Mr. Dong joined China State Construction Engineering Corporation in 1983, joined the Group in 2001 and was appointed director and deputy general manager of a subsidiary of the Company in September 2002. Mr. Dong was appointed Executive Director from 17 August 2009 and the Vice President of the Company subsequently. Mr. Dong was a member of the Nomination Committee of the Company from 17 August 2009 to 11 August 2012. Besides acting as the Executive Director and Vice President of the Company, Mr. Dong 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. He has about 30 years' management experience in corporate human resources and administration. Mr. Dong manages the human resources function. Mr. Dong has resigned as Executive Director of the Company with effect from 19 March 2013.

Mr. NIP Yun Wing

Fellow of the Hong Kong Institute of Certified Public Accountants

Fellow of the Association of Chartered Certified Accountants

Chief Financial Officer

Aged 58, 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 on 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 in 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 had served as an executive director for several listed companies in Hong Kong. Mr. Nip manages the finance and treasury function in Hong Kong and Macau, and the company secretarial function. 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*

Mr. LUO Liang

Vice President & Chief Architect

Aged 48, 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 in March 2007 and has been appointed 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 24 years' architectural experience. Mr. Luo manages the marketing and design function of the property development business.

Non-Executive Director

Mr. ZHENG Xuexuan

Non-Executive Director

Aged 46, holds a bachelor degree in Industrial and Civil Architecture from Chongqing Institute of Architectural and Engineering (now known as Chongqing University), is a professor level senior architect. Mr. Zheng joined China State Construction Engineering Corporation in 1989 and was appointed as a director of China Overseas Holdings Limited on 17 October 2011. Mr. Zheng was appointed Non-Executive Director of the Company on 19 October 2011. Mr. Zheng is currently the Assistant General Manager of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668) ("CSCECL"), he is also the General Manager of the Human Resources Department of CSCECL. These companies are direct or indirect parent company of the Company. He has more than 23 years' extensive experience in construction, corporate management and human resources management. Mr. Zheng provides guidance on the human resources management matters and bridges the communication with the parent company.

Independent Non-Executive Directors

Dr. the Hon. David LI Kwok-po

GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. DSc. (Imperial), Hon. DBA (Edinburgh Napier), Hon. D. Hum.Litt. (Trinity, USA), Hon. DSocSc (Lingnan), Hon. LLD (Hong Kong), Hon. LLD (Warwick), Hon. LLD (Cantab), Hon. DLitt (Macquarie), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, JP, Officier de L'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur

Independent Non-Executive Director,
Chairman of the Audit Committee,
Member of the Remuneration Committee,
Member of the Nomination Committee

Aged 74, joined the board of directors as an independent non-executive director of the Company on 30 July 1992 and has served the Company for almost 21 years. Dr. Li is also the Chairman of the Audit Committee and a Member of both the Remuneration Committee and the Nomination Committee of the Company. He is the Chairman and Chief Executive of **The Bank of East Asia, Limited and he is also a director of many other companies including: AFFIN Holdings Berhad (listed on Bursa Malaysia Securities Berhad), CaixaBank, S.A. (listed on the stock exchange of Madrid, Barcelona, Bilbao and Valencia), **Guangdong Investment Limited, **The Hong Kong and China Gas Company Limited, **The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, **PCCW Limited, **San Miguel Brewery Hong Kong Limited, **SCMP Group Ltd. and **Vitasoy International Holdings Limited. He was previously a director of **COSCO Pacific Limited. He serves on the Federal Reserve Bank of New York's International Advisory Committee. He is the Chairman of The Chinese Banks' Association, Limited. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. He was a Member of the Legislative Council of Hong Kong from 1985 to 2012. Dr. Li has resigned as Independent Non-Executive Director of the Company with effect from 19 March 2013.

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

Mr. LAM Kwong Siu

SBS

Independent Non-Executive Director,
Member of the Audit Committee,
Member of the Remuneration Committee,
Member of the Nomination Committee

Aged 78, joined the board as an independent non-executive director of the Company on 30 September 2003 and has served the Company for about 9 years. Mr. Lam is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. 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 Co-operation, 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 CITIC Bank International Limited, CITIC International Financial Holdings Limited, **Fujian Holdings Limited, **Xinyi Glass Holdings Limited, **Yuzhou Properties Company Limited and **Far East Consortium International Limited. Mr. Lam has over 50 years' continuous banking and finance experience.

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

Dr. WONG Ying Ho, Kennedy
BBS, DCL, JP
Independent Non-Executive Director,
Chairman of the Remuneration Committee,
Member of the Audit Committee,
Member of the Nomination Committee

Aged 50, joined the board as an independent non-executive director of the Company on 5 January 2004 and has served the Company for more than 9 years. Dr. Wong is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 2 February 2009. He is a solicitor and China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a National Committee Member of the 12th Chinese People's Political Consultative Conference. Dr. Wong is the chairman of ** Hong Kong Resources Holdings Company Limited, a director and the deputy chairman of the audit committee of **Goldlion Holdings Limited, and also is a director of **Asia Cement (China) Holdings Corporation, Bohai Industrial Investment Fund Management Company Limited, Hong Kong Airlines Limited and **Shanghai Industrial Urban Development Group Limited. Dr. Wong was a director of **Great Wall Technology Company Limited, #Pacific Alliance China Land Limited, #Pacific Alliance Asia Opportunity Fund Limited and **Qin Jia Yuan Media Services Company Limited.

** *companies listed on The Stock Exchange of Hong Kong Limited*
# *companies listed on AIM Board, London Stock Exchange*

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

Aged 67, joined the board as an independent non-executive director of the Company on 2 February 2009. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit Committee and the Remuneration Committee of the Company. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years.

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

Outside the political arena, she is the Patron of the Hong Kong Kidney Foundation, the Hong Kong Transplant Sports Association and the Whole Person Education Foundation. She was Chairman of the Board of Education from 1986 to 1989 and Chairman of the Education Commission from 1990 to 1992.

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

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

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

Senior Management

Mr. LIN Xiaofeng

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 48, graduated from Peking Economics University (now known as Capital University of Economics and Business) and holds a Master of Business Administration degree from University of South Australia in Australia. Mr. Lin joined China State Construction Engineering Corporation in 1988, joined the Group in 1990 and was appointed director and financial controller of a subsidiary of the Company in September 2003. Mr. Lin was the Executive Director of the Company during the period from August 2009 to August 2012. He is currently the Vice President of the Company and also a director of certain subsidiaries of the Group. He was a director of China Overseas Holdings Limited and has about 25 years management experience in corporate finance and accounting. Mr. Lin manages the finance and treasury function in the Mainland and the informatization function.

Mr. ZHANG Yi

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 46, graduated from Tianjin University of Finance & Economics and Beijing Economics University (now known as Capital University of Economics and Business) and Graduate Economics Training Center at the People's University of China, holder of master degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. He has about 19 years' management experience in public relation and investment strategy business.

Mr. QU Yonghai

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Nan region)

Aged 42, graduated from Harbin Institute of Technology, senior engineer, is a MBA from Tsinghua University. He joined the Group in 1993, and is also a director of certain subsidiaries of the Group. Mr. Qu has about 20 years' experience in purchasing, investment, marketing, project development and business management.

Mr. QI Dapeng

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Dong region)

Aged 42, graduated from Jilin University and Harbin Institute of Technology, holder of master degree, senior accountant. He joined the Group in 1997 and is also a director of certain subsidiaries of the Group. Mr. Qi has about 21 years' experience in finance and corporate management.

Mr. GUO Yong

Vice President of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Western region)

Aged 49, graduated from Chongqing University of Engineering and Architecture (now known as Chongqing University) and Troy State University, holder of master degree, senior engineer. He joined the Group in 1993 and is also a director of certain subsidiaries of the Group. Mr. Guo has about 29 years' management experience in construction business.

Mr. KAN Hongbo

Vice President of China Overseas Land & Investment Ltd.
General Manager of Development Management Department of China Overseas Land & Investment Ltd.
Director and Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 49, graduated from Hefei University of Technology, holder of master degree, senior engineer. He joined the Group in 1995. Mr. Kan has about 23 years' management experience in Engineering management.

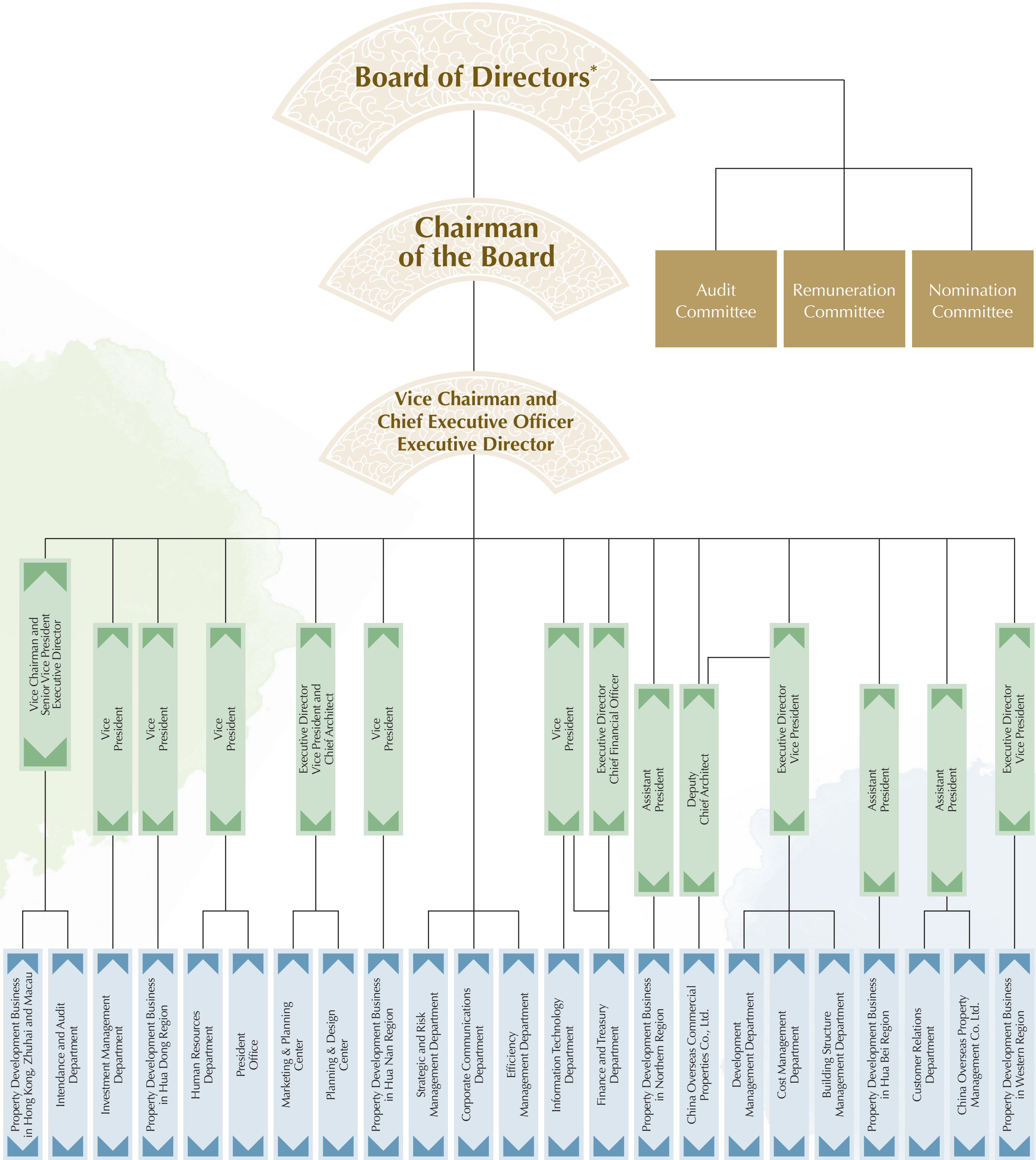
Ms. Wang Qi
Assistant President of China Overseas Land & Investment Ltd.
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
President of China Overseas Property Services Ltd.
Aged 47, graduated from Hefei University of Technology, senior engineer. She joined the Group in 1997. Ms. Wang has about 25 years' management experience in Architectural design, Engineering management and corporate management.

Mr. OUYANG Guoxin
Assistant President of China Overseas Land & Investment Ltd.
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Hua Bei region)
General Manager of China Overseas Property Co., Ltd. (Beijing)
Aged 45, graduated from the Chongqing Normal University and is a Master of Corporate Management from Harbin University of Architecture and Engineering and a Doctor of Economics from Beijing University, senior economist. He joined the Group in 1997. He has about 22 years' experience in construction and corporate management.

Mr. Zhang Guiqing
Assistant President of China Overseas Land & Investment Ltd.
Director and Assistant General Manager of China Overseas Property Group Co., Ltd.
General Manager of China Overseas Property Group Co., Ltd. (Northern region)
Aged 40, graduated from Shenyang Jianzhu University and is a Master of Philosophy in Architecture and Civil Engineering from Harbin Institute of Technology, senior engineer. He joined the Group in 1995. He has about 17 years' experience in construction, engineering and corporate management.

Mrs. Bai Min
Assistant President of China Overseas Land & Investment Ltd.
Vice chief architect of China Overseas Property Group Co., Ltd.
Aged 50, graduated from Tsinghua University, holder of master degree of Hua Zhong engineering Academy (now known as Huazhong University of Science and Technology), senior architect . She joined the Group in 2002 and is also a director of certain subsidiaries of the Group. Mrs. Bai has about 27 years' experience in architectural design.

ORGANIZATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



* As at 19 March 2013, the Board of Directors consists of seven executive directors, one non-executive director and four independent non-executive directors.

Corporate Citizenship

Corporate Citizenship

"To serve the community" has been the corporate mission of the Group for the past 30 years. The Group continues to uphold its corporate social responsibilities and to share its success with the community, its shareholders, business associates and staff. The Group shows its concern and care for underprivileged groups through its active participation in public charity and community services. The Group has the deepest concern for the community, delivers the most sincere services to its customers, provides a return to its shareholders and is always concerned for the well being of its staff.

The brand of "海無涯，愛無疆" ("The sea has no limit and love has no boundary") is now well-established, the Group has in place medium- to long-term planning to meet its corporate social responsibilities, including an ongoing campaign of sponsoring and soliciting donations for the construction of China Overseas Hope Schools. As at the end of 2012, seven Hope Schools had been built in mainland, while another one was under construction. Moreover, the Group continued to apply environmental protection and energy conservation concepts such as "low carbon" and "green construction" across its corporate development strategy, as well as to the design and construction of its property projects. The aim is to help building a greener society and ensuring a healthy living environment that enables sustainability in the natural environment in and around our projects.

Community Welfare and Services

Charitable Donations

Each year the Group organises a large team to join "Walks for millions supported by the Community Chest of Hong Kong", the largest charity event in Hong Kong. The local offices of China Overseas Property actively participated in local charity activities.

Educational Assistance

The Group's charity work is focused on three aspects: community building, educational assistance and charitable donations. We place a lot of emphasis on child and teenage education and development, as we understand that the level of education attained by the younger generation is closely related to the future development of the society. The Group makes ongoing efforts to drive charitable donations for the construction of China Overseas Hope Schools, which underpins strongly its support for China's education development. In 2012, China Overseas Dougou Hope School in Jinan, Shandong was officially completed and delivered.

China Overseas Dougou Hope School occupies a site area of 2.57 hectare with teaching blocks of GFA of approximately 5,666 sq m. There are 18 classes for a maximum of 900 students, who take their lessons in well-equipped functional classrooms, such as music rooms, art rooms, computer rooms and libraries, etc.

As of now, the Group has built seven Hope Schools in Hanzhong of Shaanxi, Nanchuan of Chongqing, Yunyang, Changchun of Jilin, Dujiangyan of Sichuan, Shenyang of Liaoning and Jinan of Shandong, respectively, while a further Hope school is under construction in Kaihua of Zhejiang. The Group is sponsoring the construction of schools in a number of localities in China, with a view to increasing the size and number of Hope Schools in fulfillment of its undertaking as a corporate citizen to build one Hope School in China each year.

China Overseas Hope School

Group photo of "Cheers Mate! — China Overseas Summer Group 2012"

China Overseas x TREATS" Mainland + Hong Kong Drawing Competition

Voluntary Work

To reward the society and underpin our brand of "海無涯，愛無疆," our Group has enhanced long-term cooperation with non-profit-making organisations, so that China Overseas volunteer teams may contact and care for the needs of children and teenagers of different abilities and backgrounds through fundraising activities, community promotion campaigns and education programmes. Our regular activities include care visits, summer camps, art contests, The Community Chest Walk for Millions, The Conservancy Association Walk for the Environment and Corporate Challenge sporting contests, etc.

The "Friendship Without Boundary" 2012 "China Overseas x TREATS" Mainland + Hong Kong Drawing Competition organised jointly by the Group and TREATS, a registered charitable and child social service organisation in Hong Kong, and sponsored by China Overseas Charity Fund, being the forth similar art activities hosted by the Group since 2009, continued to provide an art platform for the primary students from both Mainland and Hong Kong. The competition received over 6,700 works from approximately 140 mainstream primary schools, special education schools and art galleries (including 6 China Overseas Hope Schools in the Mainland). This competition has not only lent a window to the inner world of a child's mind, but has also served as an advocate for integrated living, equality and fraternal by showcasing children of different regions, races and abilities.

Meanwhile, the Group was reunited with TREATS again in the third version of "Cheers Mate! — China Overseas Summer Camp for Mainland and Hong Kong Youth 2012". Following the Dujiangyan camp in 2010 and Hong Kong Camp in 2011, the latest camping event was held at the Geleshan National Forest Park in Chongqing. Campers were also able to interact, for the first time, with participants of the "High School — China Overseas Career Development and Research Camp" to facilitate cultural exchanges.

BOCHK Corporate Challenge 2012

For the second year in a row, the Group took part in "BOCHK Corporate Challenge 2012," an event that raises funds for outward bound training programmes for youth and teenagers, which are aimed at developing team work aptitude among the younger generation. This year, the activity was hosted by Outward Bound Hong Kong organisation, with 59 teams from 49 Hong Kong commercial companies participating in games and contests.

HUMAN RESOURCES AND STAFF DEVELOPMENT

Human Resources Strategy

The Group holds the quality of human resources and the level of knowledge capital are important benchmarks in assessing the competitiveness of an enterprise. Long-term development of the Group and personal development of the staff are closely interrelated and mutually reinforcing. This is a preeminent feature of the Group's corporate culture and human resources management style.

Human Resources Management

At the end of 2012, the Group had a total of 18,849 employees. The Group continued to reinforce and improve its two channels for soliciting new employees, namely campus recruitment and public recruitment, in order to enrich and optimise the "Sons of the Sea" and "Sea's Recruits" schemes, the two brands of the Group in human resources operations, and to secure abundant supply of high-calibre staff to support the Group's rapid business development. In recognition of our outstanding image as an employer and the brand name of the recruitment exercise, our Group was presented with numerous honours and awards, including the 10th "Best Employers of China Award — Top 50" (hosted by ChinaHR.com) for a second stint. The Group adheres to the "people-oriented" philosophy in management and services and emphasises the fostering of a friendly atmosphere at the Company underpinned by easy and harmonious inter-personal relations. We make improvements to our performance appraisal and remuneration and benefit packages as well as to our office environment on an ongoing basis, while the Group also constantly introduces new activities to enhance staff satisfaction and sense of belonging.

Staff Training and Development

The Group has developed a sound staff training program to provide comprehensive resources and support that help employees to appreciate the Company's strategies, identify with its corporate culture, enhance expertise and strengthen management skills.

The Group places a strong emphasis on staff training and formulates suitable training programmes each year for new employees. In 2012, the Group held the 10th COB New Employee Orientation Program for the newly recruited "Sons of the Sea" — about 250 fresh graduates with top honours. The programme featured a combination of personal development planning and group training which was aimed at enhancing staff potential and performance.

The Group also offers day-to-day in-service training for employees through "海無涯網路學院", an internal e-learning platform which facilitates online self-learning primarily through shared videos. This platform enables the sharing of knowledge and experiences within the Group across regions, business segments and organisational hierarchies, which helps to improve employees' management skills and expertise and support in self-enrichment and life-learning.

In addition, the Group also organise daily activities and themed seasonal activities to promotes healthy lifestyles, with a view to enriching the cultural life of China Overseas employees, they are provided with the opportunity to join different types of activities and interest groups (such as cooking classes, bridge groups, badminton and photography, etc) for a better balance between work and leisure as well as a greater sense of belonging to the Group. The China Overseas Cup Bridge Tournament organised by the Group in June 2012 has enjoyed active participation by employees.

Environmental Protection

The Group adheres to its mission of protecting the natural environment, incorporating green concepts such as a "low carbon footprint" and "green construction technology" in the entire phases of business. From commercial buildings to residential communities, the Company take environmental concerns into full consideration in every project design, development and operations and extensively introduce green and conservation concepts in them. Through application of advanced technologies to reduce raw material consumption and using eco-materials and low carbon emission equipments, the Group aims to enhance energy utilization during construction. The Group also introduces the "China Overseas Property Green Architectural Design Guideline", "Regulations for Implementation of Green Architecture of China Overseas Property" and "China Overseas Property Construction Safety Administrative Rules" in order to systemise, standardise and achieve delicacy of management and control and to produce healthy and environmental friendly "Green Products". In 2012, the architectural construction and designs of the Group's projects achieved numerous high environmental standard rating and recognition. The Group and property management companies in Hong Kong and China also adopted ongoing measures under the theme of "Green Environmental Protection", "Green and low emission living concept" and "Building a Green Home Together" to enhance environmental friendly development and management.

The Group's environmental concepts and measures are reflected not only in its architectural designs and construction works, but also in its corporate culture and day-to-day details in office operation. To promote staff awareness of the need to protect the environment, the Group launched a series of environmental protection activities.

Walk for the Environment 2012

Accolades & Awards 2012

(In alphabetical order)

2011 Vision Awards — Gold Award

China Overseas Land and Investment Ltd

League of American Communications Professional

2011 Vision Awards — Top 25 Chinese Annual Report 2011

China Overseas Land and Investment Ltd

League of American Communications Professional

2012 China Corporate Social Responsibility Awards on Real Estate Enterprises

China Overseas Property Group Co., Ltd

China Business News

2012 China Mainland Real Estate Listed Company Top 5: Operational Performance (4^{TH} Runner-up)

China Overseas Land and Investment Ltd

China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

2012 China Mainland Real Estate Listed Company Top 10: Overall Ranking (2^{ND} Runner-up)

China Overseas Land and Investment Ltd

China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

2012 Most Valuable Chinese Real Estate Enterprises Ranking: Annual Value Real Estate Enterprise Award

China Overseas Land and Investment Ltd

National Business Daily

Best Employer in Property Industry in the Tenth Best Employer Ranking in China

China Overseas Property Group Co., Ltd

ChinaHR.com

Best Employer to Work For in the First (2007–2011) Outstanding Employer Selection

China Overseas Property Group Co., Ltd

School of Business, Renmin University of China

China Real Estate Value Report

China Overseas Land and Investment Ltd

China Business News

China's Most Promising Companies in Property

China Overseas Land and Investment Ltd

The Asset

Corporate Governance Asia — Recognition Awards 2012

China Overseas Land and Investment Ltd
Corporate Governance Asia

FTSE China 25 Index

China Overseas Land and Investment Ltd
FTSE

Mainland China Real Estate Companies listed in Hong Kong, NO.2 in Top 10 Overall Ranking, No.2 in Top 10 Wealth Creating Capability, No.1 in Top 10 Financial Stability

China Overseas Land and Investment Ltd
Enterprise Research Institute of Development Research Center of State Council of P.R.C, Institute of Real Estate studies of Tsinghua University, China Index Academy

Mercury Excellence Awards 2012/2013 Overall Presentation: Holdings & Property Development — Honors

China Overseas Land & Investment Limited
MerComm Inc

No. 1 in China Blue Chip Real Estate

China Overseas Land and Investment Ltd
The Economic Observer

No.1 in China Real Estate Enterprise Brand Value

China Overseas Land and Investment Ltd
Enterprise Research Institute of Development Research Center of State Council of P.R.C, Institute of Real Estate studies of Tsinghua University, China Index Academy

No.1 in China Real Estate Enterprise Brand Value Top 20

China Overseas Land and Investment Ltd
China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

No. 1 in Leading Brands of China Real Estate Companies

China Overseas Land and Investment Ltd
Enterprise Research Institute of Development Research Center of State Council of P.R.C, Institute of Real Estate studies of Tsinghua University, China Index Academy

Ranking of Chinese Enterprises listed in Hong Kong, Highest Market Capitalization Award

China Overseas Land and Investment Ltd
Yazhou Zhoukan

The Asset Corporate Awards — Titanium Award (Financial Performance and Social Responsibility)

China Overseas Land and Investment Ltd
The Asset

The Excellence of Listed Enterprise Awards 2012

China Overseas Land and Investment Ltd
Capital Weekly

Top 10 out of 100 China Real Estate Companies (3rd Runner-up)

China Overseas Land and Investment Ltd
Enterprise Research Institute of Development Research Center of State Council of P.R.C, Institute of Real Estate studies of Tsinghua University, China Index Academy

Top 50 Best Employer for Chinese University Student

China Overseas Property Group Co., Ltd
ChinaHR.com

Investor Relations

In 2012, the Group advanced the development of a multi-dimensional platform for investor relations with committed efforts and facilitated ongoing information disclosure and capital market communications in a professional manner through its Corporate Communications Department. During the year, our Investor Relations web page was revamped to present more extensive information via a more user-friendly interface. The Group sought to employ communications means such as results presentation live cast, emails, phone calls, investor meetings and site visits in a broader and more sophisticated manner, and the effectiveness of communication has been consistently improved. During the year, representatives of the Corporate Communications Department attended more than 10 major investors' conferences, received close to 300 visitors to the Company, held more than 500 telephone conferences and arranged 252 group visits to our property projects with 1,500 investors members participating.

Through roadshows for results presentation, investors' meetings and individual interviews, the Group was actively involved in communications with investors. The Corporate Communications Department adopted a combination of methods to ensure prompt feedback and response to market enquiries and investors' communications. The Group attaches great importance to the wishes and suggestions of investors, with a view to improving the Group's governance standards and delivering value to shareholders on an ongoing basis.

Interim results presentation 2012

Major Investor Relations Activities in 2012

Month	Activities
January	Nomura China Property Corporate Day Credit Suisse Real Estate and Consumer Conference Deutsche Bank Access China 2012 UBS Greater China Conference
March	Announcement of 2011 annual results • Press conference • Briefing with analysts Post Results Roadshow
April	Mirae Conference APREA Investor Day Hosted by Macquarie
May	Barclays Capital Pan Asia Real Estate Conference Morgan Stanly Hong Kong Investor Summit 3rd Annual DB Access Asia Conference 2012
June	Citi HK/China Conference 2012 BofAML Corporate Day
August	Announcement of 2012 interim results • Press conference • Briefing with analysts Post Results Roadshow
September	CLSA Investors' Forum 2012
October	BNP Paribas 19th Annual China Conference
November	Citi Greater China Investor Conference 2012 BofAML China Conference 2012 CIMB 8th Hong Kong/China Conference 2012 Mizuho Pan-Asia Real Estate Corporate Day

(A) General

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

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

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

(B) Corporate Governance Practice

During the year, the Company has complied with all the code provisions (except A.4.1, A.4.2 and A.6.7 as stated below) of the Code on Corporate Governance Practices/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 (the "**Listing Rules**"). and with most of the recommended best practices contained therein.

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 directors of the Company were appointed, for a term subject to retirement in accordance with the Articles of Association of the Company ("**Articles**"), which provide, amongst other things, the following:

(a) any director appointed to fill a casual vacancy shall hold office only until the next following Annual General Meeting ("**AGM**") 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 AGM, one-third of the directors for the time being or, if number of directors is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as Executive Chairman or as Managing Director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

However, through the operation of the internal mechanism adopted by the Company below, the terms of appointment of all directors are three years or less. Thus the Company is merely technically not complied with Code Provision A.4.1 and A.4.2.

(1) the newly appointed director will retire and be eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and

(2) any director (including Executive Chairman or Managing Director), who is not required by the Articles to retire by rotation at the AGM in the third year since his last election, will be reminded to retire from office voluntarily.

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 and most of the directors (including all independent non-executive directors) were present in the annual general meeting for exchanging views with the shareholders.

Messrs. Wu Jianbin (resigned w.e.f. 11 August 2012) and Zheng Xuexuan, both are non-executive directors of the Company and both due to commitment in mainland China, were unable to attend the annual general meeting of the Company held on 30 May 2012. Thus, the Company has not complied with the whole Code Provision A.6.7.

(C) The Board of Directors

C(a) Board Composition

The directors of the Company during the year are:

Executive Directors
Mr. Kong Qingping *(Chairman)*
Mr. Hao Jian Min *(Vice Chairman and Chief Executive Officer)*
Mr. Xiao Xiao *(Vice Chairman)*
Mr. Dong Daping
Mr. Nip Yun Wing
Mr. Luo Liang
Mr. Lin Xiaofeng (resigned w.e.f. 11 August 2012)

Non-executive Directors
Mr. Wu Jianbin *(Vice Chairman)* (resigned w.e.f. 11 August 2012)
Mr. Zheng Xuexuan
Mr. Chen Bin (resigned w.e.f. 16 March 2012)

Independent Non-executive Directors
Dr. Li Kwok Po, David
Mr. Lam Kwong Siu
Dr. Wong Ying Ho, Kennedy
Dr. Fan Hsu Lai Tai, Rita

During the year, the Company has four Independent Non-Executive Directors which is a sufficient number representing at least 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 Rule 3.10(1), 3.10(2), 3.10A of the Listing Rules and Code Provision D.1.4.

Other than above, the Company has one female Independent Non-Executive Director who serves the Board and the Board Committees since 2009.

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 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.

The Directors' biographical information and the relationships among the Directors, if any, are set out on pages 69 to 76 of the annual report.

C(b) Confirmation of Independence

The Company has received from Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy and Dr. Fan Hsu Lai Tai, Rita, 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 Dr. Li Kwok Po, David, Mr. Lam Kwong Siu and Dr. Wong Ying Ho, Kennedy have 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 recognizes 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 any of Dr. Li, Mr. Lam and Dr. Wong 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.

C(c) Directors Training

Pursuant to the Code Provision A.6.5 which 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 2012.

Name	Ways of Training Read Materials	Attend Seminars/Briefings
Executive Directors		
Mr. Kong Qingping	Yes	Yes
Mr. Hao Jian Min	Yes	–
Mr. Xiao Xiao	Yes	–
Mr. Dong Daping	Yes	–
Mr. Nip Yun Wing	Yes	Yes
Mr. Luo Liang	Yes	–
Non-executive Directors		
Mr. Zheng Xuexuan	Yes	–
Independent Non-executive Directors		
Dr. Li Kwok Po, David	Yes	Yes
Mr. Lam Kwong Siu	Yes	–
Dr. Wong Ying Ho, Kennedy	Yes	Yes
Dr. Fan Hsu Lai Tai, Rita	Yes	Yes

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. Mr. Kong Qingping, 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; encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus; promote 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. Mr. Hao Jian Min, 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.

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

During the year, with the non-executive directors duly discharged their duties as mentioned above, the Board has duly discharged the above duties which included the adopting a corporate governance policy of the Company, providing strategic guidance on the operation of the Company, reviewing and supervising the implementation of all lines of businesses.

C(e) Directors' Responsibilities for the Financial Statements

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

(D) Internal Control

The Board is responsible for the Group's system of internal control and is committed to managing business risks and maintaining sound and effective internal control system to safeguard the shareholders' investment and the Group's assets.

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

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

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

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

(E) Board Meetings and Committee Meetings

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

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

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

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

(F) The Committees of the Board

An Audit Committee, a Remuneration Committee and a Nomination Committee have been established to the pursuit of good corporate governance.

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

F(a) Audit Committee

The Audit Committee is composed as follows:

Dr. Li Kwok Po, David* *(Committee Chairman)*
Mr. Lam Kwong Siu*
Dr. Wong Ying Ho, Kennedy*
Dr. Fan Hsu Lai Tai, Rita*

* *Independent Non-Executive Director*

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

F(b) Remuneration Committee

The Remuneration Committee is composed as follows:

Dr. Wong Ying Ho, Kennedy* *(Committee Chairman)*
Dr. Li Kwok Po, David*
Mr. Lam Kwong Siu*
Dr. Fan Hsu Lai Tai, Rita*

* *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)*
Dr. Li Kwok Po, David*
Mr. Lam Kwong Siu*
Dr. Wong Ying Ho, Kennedy*

* *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. During the year, the Nomination Committee has duly discharged the above duties. The procedure and the process and criteria for appointment, election and removal of directors has been uploaded to the Company's website for the information of shareholders.

(G) ATTENDANCE AT BOARD OR COMMITTEE MEETINGS DURING THE YEAR 2012

	Number of meetings attended/ Number of meetings held during the term of office				
Name	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Kong Qingping	4/4	N/A	N/A	2/2	1/1
Mr. Hao Jian Min	4/4	N/A	1/1	N/A	1/1
Mr. Xiao Xiao	4/4	N/A	N/A	N/A	1/1
Mr. Dong Daping	4/4	N/A	N/A	2/2	1/1
Mr. Nip Yun Wing	4/4	N/A	N/A	N/A	1/1
Mr. Luo Liang	4/4	N/A	N/A	N/A	1/1
Mr. Lin Xiaofeng (resigned w.e.f. 11 August 2012)	1/3	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Wu Jianbin (resigned w.e.f. 11 August 2012)	2/3	N/A	N/A	N/A	0/1
Mr. Zheng Xuexuan	3/4	N/A	N/A	N/A	0/1
Mr. Chen Bin (resigned w.e.f. 16 March 2012)	0/1	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Dr. Li Kwok Po, David	4/4	4/4	1/1	2/2	1/1
Mr. Lam Kwong Siu	4/4	4/4	1/1	2/2	1/1
Dr. Wong Ying Ho, Kennedy	4/4	4/4	1/1	2/2	1/1
Dr. Fan Hsu Lai Tai, Rita	4/4	4/4	1/1	2/2	1/1

(H) MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Directors confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2012.

(I) Auditors' Remuneration

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

PricewaterhouseCoopers was appointed as the external auditor with shareholders' approval at the last AGM. During the year, HK$7,420,000 paid to the external auditor by the Group for audit service and HK$960,000 for other services, including reports on the issuance of guaranteed notes payables, continuing connected transactions, compliance of financial undertakings and preliminary announcement. During the year, the Group paid HK$1,010,000 to Deloitte Touche Tohmatsu, the Group's former auditor, for reports on the issuance of guaranteed notes payables. The Board will table a resolution at the 2013 AGM, proposing to re-appoint PricewaterhouseCoopers as the external auditor for the ensuing year.

(J) Senior Management

There are 9 members of the Senior Management in the Company, their biographical details are set out on pages 77 and 78 of the report, and respective interests in shares of the Company as at 31 December 2012 are set out below:

Name of senior management	Number of shares held	Percentage of issued share capital#
Mr. Lin Xiaofeng	1,271,825	0.016%
Mr. Zhang Yi	1,095	0.000%
Mr. Qu Yonghai	0	0.000%
Mr. Qi Dapeng	0	0.000%
Mr. Guo Yong	200,000	0.002%
Mr. Kan Hongbo	696,800	0.009%
Ms. Wang Qi	0	0.000%
Mr. Ouyang Guoxin	0	0.000%
Mr. Zhang Guiqing	0	0.000%
Total	2,169,720	0.027%

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2012 (8,172,519,077 ordinary shares).

(K) Relations with Shareholders

K(a) Substantial Shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2012 are set out in the "Substantial Shareholders' Interests in Securities" section of "Report of Directors" of this report.

K(b) Annual General Meeting and Communication with Shareholders

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

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

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

K(c) Shareholders' Rights

(a) Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM")

Shareholder(s) of the Company can convene an EGM by complying with the below:–

(1) if one or more shareholder(s) in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings; and

(2) depositing a written request at the registered office of the Company in pursuance of Section 113 of the Hong Kong Companies Ordinance.

(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 Proposing Resolution(s) to be moved 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), on fulfilling the below conditions, can submit a written requisition to move a resolution at a shareholders' meeting pursuant to Section 115A of the Hong Kong Companies Ordinance:–

(a) shareholder(s) holding not less than 2.5% of the total voting rights of all shareholders as at the date of the requisition a right to vote at the shareholders' meeting; or

(b) not less than 50 shareholders holding the Company's shares on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

The written requisition must:–

(a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the Shareholders' meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form);

(c) be deposited at the Company's registered office for the attention of the Company Secretary, to be so deposited not less than 6 weeks (as required in most circumstances under the applicable laws) before the Shareholders' meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the Shareholders' meeting in the case of any other requisition; and

(d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all Shareholders in accordance with the requirements under the applicable laws and rules.

K(d) Memorandum and Articles of Association

There is no change in the Memorandum and 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 in related to company secretarial matters is Ms. Connie Chiang, Assistant Company Secretary of the Company. Ms. Chiang has confirmed to the Company that she has complied with Rule 3.29 of the Listing Rules.

(M) Financial Calendar

Particulars of the financial calendar are set out in the "Corporate and Shareholders' Information" 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 2012.

Principal Activities

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 jointly controlled entities are set out in notes 48, 20 and 21 to the financial statements respectively.

An analysis of the Group's turnover and contribution is set out in notes 7 and 8 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 123 and 124 respectively.

An interim dividend of HK15 cents per share and a special dividend of HK2 cents per share were paid on 3 September 2012. The board of directors recommends the payment of a final dividend of HK24 cents per share (2011: HK20 cents per share) to shareholders whose names appear on the Register of Members of the Company on 6 June 2013. Together with the interim dividend of HK15 cents per share (2011: HK13 cents per share) and a special dividend of HK2 cents per share, dividends for the year will amount to a total of HK41 cents per share. The final dividend will be payable on 18 June 2013.

Share Premium and Reserves

Movements during the year in the share premium and reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 128 and note 36 to the financial statements respectively.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 217 and 218.

Major Properties

Details of the major property development and property investment of the Group at 31 December 2012 are set out on pages 45, 55 and 57.

Tangible Fixed Assets

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of HK$3,650,820,000 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 to the financial statements.

Share Capital

Details of the movements during the year in the share capital of the Company are set out in note 35 to the financial statements.

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

Bank loans and guaranteed notes payable which are repayable within one year or on demand are classified as current liabilities in the consolidated statement of financial position. An analysis of the repayment schedule of non-current borrowings is set out in note 37 to the financial statements.

Interest capitalised by the Group during the year in respect of development properties and investment properties under construction amounted to approximately HK$1,582,098,000.

Directors

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

Executive Directors

Mr. Kong Qingping	*(Chairman)*
Mr. Hao Jian Min	*(Vice Chairman and Chief Executive Officer)*
Mr. Xiao Xiao	*(Vice Chairman)*
Mr. Dong Daping	
Mr. Nip Yun Wing	
Mr. Luo Liang	
Mr. Lin Xiaofeng	(resigned w.e.f. 11 August 2012)

Non-executive Directors

Mr. Wu Jianbin	*(Vice Chairman)* (resigned w.e.f. 11 August 2012)
Mr. Zheng Xuexuan	
Mr. Chen Bin	(resigned w.e.f. 16 March 2012)

Independent Non-executive Directors

Dr. Li Kwok Po, David
Mr. Lam Kwong Siu
Dr. Wong Ying Ho, Kennedy
Dr. Fan Hsu Lai Tai, Rita

In accordance with Article 105(A) and Article 96 of the Company's Articles of Association, Mr. Hao Jian Min, Mr. Xiao Xiao, Mr. Guo Yong (become director from 19 March 2013), Mr. Kan Hongbo (become director from 19 March 2013), Dr. Wong Ying Ho, Dr. Fan Hsu Lai Tai and Mr. Li Man Bun, Brian David (become director from 19 March 2013) shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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).

Emoluments of Directors and Senior Management

Information regarding directors' emoluments and senior management's emoluments are set out in note 13 and note 47 to the financial statements. With effect from 1 February 2013, the annual salary of Mr. Nip Yun Wing has been changed from HK$2,620,800 to HK$2,751,600. The annual salaries/directors' fees 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 Organization" on pages 69 to 78 of this Annual Report.

Information on Share Options of the Company

Information in relation to share options disclosed in accordance with the Listing Rules is as follows:

(1) Movement of share options during the year ended 31 December 2012:

		Number of underlying shares comprised in options				
Name	**Date of Grant**	**Outstanding at 01.01.2012**	**Adjustment/ Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding at 31.12.2012**
Director						
Mr. Kong Qingping	18.06.2004 (vi)	1,359,334	–	–	–	**1,359,334**
		1,359,334	**–**	**–**	**–**	**1,359,334**
	Sub-Total	**1,359,334**	**–**	**–**	**–**	**1,359,334**
Aggregate of other	24.10.2001 (v)	–	–	–	–	**–**
employees*	18.06.2004 (vi)	1,456,429	–	–	–	**1,456,429**
	Sub-Total	**1,456,429**	**–**	**–**	**–**	**1,456,429**
	Grand Total	**2,815,763**	**–**	**–**	**–**	**2,815,763**

* *Employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.*

(2) At 31 December 2012, the options granted to subscribe for 2,815,763 Shares remained outstanding, representing approximately 0.03% of the issued share capital of the Company at that date. No options to subscribe for Shares have been cancelled during the year ended 31 December 2012.

As at the date of this annual report, 2,815,763 Shares were available for issue under the Share Option Scheme, representing approximately 0.03% of the issued share capital of the Company at that date.

(3) During the year ended 31 December 2012, no options to subscribe for Shares of the Company were exercised.

Notes:

(a) *Particulars of share options granted:*

	Date of Grant	Vesting Period (both days inclusive)	Exercise Period (both days inclusive)	Exercise Price Per Share *(HK$)*	Note
(i)	17.07.1997	17.07.1997–16.07.1998	17.07.1998–16.07.2007	4.06	Lapsed
(ii)	14.02.1998	14.02.1998–13.02.1999	14.02.1999–13.02.2008	1.08	Lapsed
(iii)	30.09.1998	30.09.1998–29.09.1999	30.09.1999–29.09.2008	0.52	Lapsed
(iv)	04.01.2000	04.01.2000–03.01.2001	04.01.2001–03.01.2010	0.58	Lapsed
(v)	24.10.2001	24.10.2001–23.10.2002	24.10.2002–23.10.2011	0.69	Lapsed
(vi)	18.06.2004	18.06.2004–17.06.2009*	18.06.2005–17.06.2014	1.13 *(Adjusted to 1.118 w.e.f. 03.02.2009#)*	–

* *particulars shown in note 35 to the financial statements.*

\# *Following the issue of the Offer Shares on 3 February 2009, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.*

(b) *During the year under review, no options have been granted to any eligible employees (including the directors and independent non-executive directors of the Company) to subscribe for Shares of the Company.*

Directors' and Chief Executive's Interests in Securities

At 31 December 2012, 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	Number of Underlying shares comprised in Options *(Note 1)*	Total	% of shares in issue *(Note 2)*
Mr. Kong Qingping	3,935,760	1,359,334	5,295,094	0.0644%
Mr. Hao Jian Min	3,353,172	0	3,353,172	0.0410%
Mr. Xiao Xiao	1,935,244	0	1,935,244	0.0237%
Mr. Dong Daping	34,353	0	34,353	0.0004%
Dr. Li Kwok Po, David	10,000,000	0	10,000,000	0.1224%

(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)
— China Overseas Grand Oceans Group Limited

Name of director	Number of shares held	Total	% of shares in issue *(Note 5)*
Mr. Hao Jian Min	1,750,000	1,750,000	0.077%
Mr. Luo Liang	105,000	105,000	0.005%

Notes:

1. *On 3 February 2009, due to the open offer, the exercise price of the outstanding options granted under the Company's Share Option Scheme has been adjusted from HK$1.13 per Share to HK$1.118 per Share, and the number of Shares to be issued upon full exercise of the outstanding options has been adjusted from 10,488,000 Shares to 10,607,657 Shares. Information in relation to share options disclosed in accordance with the Listing Rules is set out in the section headed "Information on Share Options of the Company" of this report.*

2. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2012 (i.e. 8,172,519,077 shares).*

3. *The share options were granted on 14 September 2005 and the adjusted exercise price per share option is currently HK$0.2254 (particulars of adjustments: the exercise price per option was HK$1.03 at the time of grant on 14 September 2005; the exercise price was adjusted to HK$0.99 immediately after the completion of open offer on 10 September 2007 and further adjusted to HK$0.2475 immediately after the share subdivision approved on 12 June 2008; the exercise price was then adjusted to HK$0.2345 immediately after the completion of rights issue on 1 September 2009 and to HK$0.2254 immediately after the completion of rights issue on 16 May 2011). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("**Limit**") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).*

4. *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 2012 (i.e. 3,887,447,383 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 2012(i.e. 2,282,239,894 shares)*

Besides, Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Dong Daping, Luo Liang and Dr. Li Kowk Po, David held respectively 3,060,400; 473,780; 1,879,278; 1,658,447; 3,531,469 and 1,404,200 shares in China State Construction International Holdings Limited ("**CSCIHL**"), associated corporation of the Company. Messrs. Kong Qingping, Hao Jian Min and Xiao Xiao also held respectively 3,288,848; 959,247 and 959,247 underlying shares comprised in Options (Note 3 above) in CSCIHL. All of the shares and underlying shares comprised in Options of CSCIHL held by the directors are being personal interest and being held in the capacity of beneficial owner.

The aggregate of shares and underlying shares comprised in Options of CSCIHL held by Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Dong Daping, Luo Liang and Dr. Li Kowk Po, David respectively are 6,349,248; 1,433,027; 2,838,525; 1,658,447; 3,531,469 and 1,404,200, representing 0.163%, 0.037%, 0.073%, 0.043%, 0.091% and 0.036% of shares in issue of CSCIHL (particulars refer to Note 4 above).

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the 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 2012, 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.

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. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin (resigned w.e.f. 11 August 2012), Zheng Xuexuan, Chen Bin (resigned w.e.f. 16 March 2012) , Dong Daping, Luo Liang and Lin Xiaofeng (resigned w.e.f. 11 August 2012) 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 2012, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	**Number of shares and underlying shares held**			**% of shares in issue** *(Note 1)*			**Capacity**
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
Silver Lot Development Limited (**"Silver Lot"**)	509,136,928	–	–	6.23%	–	–	Beneficial owner
China Overseas Holdings Limited (**"COHL"**)	3,837,380,380	–	–	46.95%	–	–	Beneficial owner
(Note 2)	509,136,928	245,197,740	–	6.23%	3.00%	–	Interest of controlled corporation
China State Construction Engineering Corporation Limited (**"CSCECL"**) *(Note 3)*	4,346,517,308	245,197,740	–	53.18%	3.00%	–	Interest of controlled corporation
China State Construction Engineering Corporation (**"CSCEC"**) *(Note 3)*	4,346,517,308	245,197,740	–	53.18%	3.00%	–	Interest of controlled corporation
JP Morgan Chase & Co.	79,311,096	31,827,117	241,699,741	6.11%	0.39%	2.96%	Beneficial owner
	178,160,800	–	–				Investment manager
	241,699,741	–	–				Custodian corporation/ approved lending agent

Notes:

1. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2012 (i.e. 8,172,519,077 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 55.07%-owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2012.

Major Customers and Suppliers

For the financial year ended 31 December 2012, the five largest customers of the Group accounted for approximately 2% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 19% of the Group's total purchases and purchase from the largest supplier include therein amounted to approximately 6% for the year.

Save as aforementioned, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

Connected, Continuing Connected and Related Party Transactions

Details of the connected, continuing connected and related party transactions are set out on pages 110 to 120. Save as the related party transactions disclosed in note 47 to the financial statements, no contracts of significance 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Retirement Benefit Scheme

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$49 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

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$2,519,000.

Audit Committee

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 90 to 100.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2012 were audited by Messrs. PricewaterhouseCoopers ("PwC") while those for the year ended 31 December 2011 and 2010 were audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte").

PwC was appointed in the last Annual General Meeting as auditor of the Company following the retirement of Deloitte at the same meeting. PwC is due to retire at the forthcoming Annual General Meeting and a resolution will be proposed thereat to re-appoint PwC as auditor of the Company.

On behalf of the Board

Kong Qingping
Chairman

Hong Kong, 18 March 2013

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
"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 CSCIHL
"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
"CSCIHL" or "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)
"CSCIHL Group" or "CSC Group"	CSCIHL and its subsidiaries
"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, CSCIHL and their respective associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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.34 of the Listing Rules or which have been approved by independent shareholders in pursuance of Rule 14A.17, Rule 14A.35 or Rule 14A.43 of the Listing Rules:

(1) CSC Group Engagement Agreement, Master Lease Agreement and New Master Security Services Agreement

The following agreements were entered into with CSC on 2 April 2009 to replace those previous agreements in relation to continuing connected transactions which have been expired in year 2008 and 2009:

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

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

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

Particulars of the aforementioned agreements are as follows:

Name of Agreement	Parties	Announcement Date (EGM date)	Period	Annual Cap should not exceed
CSC Group Engagement Agreement	The Company and CSC	2 April 2009 (27 May 2009)	1 July 2009 to 31 December 2009	HK$1,000 million
			1 January 2010 to 31 December 2010	HK$2,000 million
			1 January 2011 to 31 December 2011	HK$2,000 million
			1 January 2012 to 30 June 2012	HK$1,000 million
Master Lease Agreement	The Company and CSC	2 April 2009	1 July 2009 to 31 December 2009	HK$6 million
			1 January 2010 to 31 December 2010	HK$12 million
			1 January 2011 to 31 December 2011	HK$12 million
			1 January 2012 to 30 June 2012	HK$6 million
Master Security Services Agreement	The Company and CSC	2 April 2009	1 July 2009 to 31 December 2009	HK$15 million
			1 January 2010 to 31 December 2010	HK$30 million
			1 January 2011 to 31 December 2011	HK$30 million
			1 January 2012 to 30 June 2012	HK$15 million

According to the CSC Group Engagement Agreement, the Group may engage the CSC Group as construction contractor in the PRC, Hong Kong and Macau upon successful tender for three years and subject to the cap as shown in the table above.

According to the Master Lease Agreement, members of the CSC Group may lease properties from members of the Group for three years and subject to the cap as shown in the table above.

According to the Master Security Services Agreement, members of the Group with the relevant licenses to provide security services in Hong Kong may provide security services to the work sites of the CSC Group upon successful tender for three years and subject to the cap as shown in the table above.

COHL is interested in approximately 51.7% of the issued share capital of COLI and approximately 62.9% of the issued share capital of CSC as at the date of the relevant agreement. Accordingly, members of the CSC Group are connected persons of COLI. The transactions contemplated under each of the CSC Group Engagement Agreement, the Master Lease Agreement and the Master Security Services Agreement constitute continuing connected transactions for COLI under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules in respect of the maximum total contract sum that may be awarded to the CSC Group for each year/period under the CSC Group Engagement Agreement, i.e. the **Construction Works Cap**, exceed 2.5% as at the date of the agreement, the transactions contemplated under the CSC Group Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

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

Since each of the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules in respect of the maximum total contract sum for the provision of the security services by the COLI Group for each year/period under the Master Security Services Agreement, i.e. the **Security Services Cap**, is less than 2.5% as at the date of the agreement, the transactions contemplated under the Master Security Services Agreement are subject only to the annual review, reporting and announcement requirements, and are exempted from the independent shareholders' approval requirement.

Further details of the CSC Group Engagement Agreement, the Construction Works Cap and the continuing connected transaction contemplated thereunder were given in a circular to Shareholders dated 23 April 2009. Approval by Independent Shareholders of such agreement and transactions was duly obtained at an extraordinary general meeting held on 27 May 2009.

During the period from 1 January 2012 to 30 June 2012, the total contract sum awarded to the CSC Group under the CSC Group Engagement Agreement was HK$5.0 million (1 January 2011 to 30 June 2011: HK$125.3 million) which did not exceed the cap of HK$1,000 million.

During the period from 1 January 2012 to 30 June 2012, the rental paid by the CSC Group under the Master Lease Agreement was HK$5.2 million (1 January 2011 to 30 June 2011: HK$5.2 million) which did not exceed the cap of HK$6 million.

During the period from 1 January 2012 to 30 June 2012, the total contract sum awarded by the CSC Group to the Group under the Master Security Services Agreement was HK$11.9 million (1 January 2011 to 30 June 2011: HK$7.4 million) which did not exceed the cap of HK$15 million.

As the CSC Group Engagement Agreement; Master Lease Agreement; and Master Security Services Agreement were all expired on 30 June 2012, new agreements been entered into by the same parties to the agreements on 18 May 2012, particulars as per paragraph (4) below.

(2) CSCECL Group Engagement Agreement

On 30 March 2010, the Company and CSCECL entered into a new engagement agreement in respect of the engagement by the Group of the CSCECL Group as construction contractor for the Group in the Mainland China ("**CSCECL Group Engagement Agreement**") for a term of three years commencing from 1 July 2010 and ending on 30 June 2013 as it is expected that the maximum total contract sum of the construction contracts that may be awarded by the Group to the CSCECL Group ("**Original Cap**") under the previous engagement agreement entered into between the same parties on 2 April 2009 ("**Previous CSCECL Group Engagement Agreement**") will not be sufficient for the Group's requirement. The maximum total contract sum of the construction contracts that may be awarded by the Group to the CSCECL Group for each year/period under the CSCECL Group Engagement Agreement ("**New Cap**") will be as below:

Period	**Total contract sum that may be awarded by the Group to the CSCECL Group shall not exceed**
Between 1 July 2010 and 31 December 2010 together with the total contract sum actually awarded by the Group to the CSCECL Group under the Previous CSCECL Group Engagement Agreement for the period between 1 January 2010 and 30 June 2010 which is estimated to be of approximately RMB1,000 million (approximately HK$1,136.4 million)	RMB4,500 million (approximately HK$5,113.6 million)
For each of the two years ending 31 December 2012	RMB5,000 million (approximately HK$5,681.8 million)
Between 1 January 2013 and 30 June 2013	RMB2,500 million (approximately HK$2,840.9 million)

The scope of the CSCECL Group Engagement Agreement is the same as that of the Previous CSCECL Group Engagement Agreement except that the Original Cap is replaced by the New Cap and the term of engagement under the CSCECL Group Engagement Agreement will expire on 30 June 2013.

CSCECL has a vast network of construction subsidiaries in the Mainland China. The CSCECL Group Engagement Agreement provides the Company with the option to engage the CSCECL Group (subject to successful tender) as construction contractor in the construction of its property development projects in the Mainland China subject to the New 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 CSCECL Group Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the total contract sum that may be awarded to the CSCECL Group for each year/period under the CSCECL Group Engagement Agreement, i.e. the New Cap, exceed 2.5% as at the date of the agreement, these continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

Further details of the CSCECL Group Engagement Agreement, the New Cap and the continuing connected transactions contemplated thereunder were given in a circular to Shareholders dated 20 April 2010. Approval by Independent Shareholders of such agreement and transactions was duly obtained at the extraordinary general meeting held on 9 June 2010. The extraordinary general meeting has been conducted by poll and CSCECL and its associates have abstained from voting. The CSCECL Group Engagement Agreement has become effective on 1 July 2010 and that it superseded and replaced the Previous CSCECL Group Engagement Agreement which had been terminated immediately before the CSCECL Group Engagement Agreement taking effect.

During the year, the total contract sum awarded to the CSCECL Group under the CSCECL Group Engagement Agreement was RMB2,685.0 million (2011: RMB1,748.5 million) which did not exceed the cap of RMB5,000 million.

(3) Connection Services Agreement

On 18 June 2010, the Company and CSC entered into an agreement in relation to the provision of connection services for heating pipes for real estate project(s) ("**Connection Services Agreement**"). Pursuant to which CSC (through 瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermoelectricity Company Limited) ("**SHTCL**"), a company incorporated in the PRC and is a wholly-owned subsidiary of CSC) shall provide connection services for heating pipes for real estate project(s), which is (are) located in Shenyang and developed by the Company ("**Project(s)**") commencing on 1 July 2010 and ending on 31 December 2012. Services to be provided under this Connection Services Agreement involve the connection of sets of heating pipes, which will allow the provision of heat to residential and commercial buildings from thermal plants.

Pursuant to the Connection Services Agreement, the parties may from time to time enter into further implementation agreements, which set out the detailed terms in relation to connection services for heating pipes for the Project(s). The terms under further implementation agreements will be negotiated on an arm's length basis between the parties.

It is expected that the maximum contract sums awarded by the Company to CSC under the Connection Services Agreement will be as follows:

Period	**Maximum contract sums that may be awarded by the Company to CSC shall not exceed**
For the period between 1 July 2010 and 31 December 2010	HK$100,000,000
For the period between 1 January 2011 and 31 December 2011	HK$150,000,000
For the period between 1 January 2012 and 31 December 2012	HK$150,000,000

These maximum contract sums are determined after arm's length negotiation between the parties with reference to the future projection of the project development plans of the Company during the period pursuant to the Connection Services Agreement. The contract sums will be satisfied by the Company in cash from its internal resources. Detailed payment terms will be included in further implementation agreements. Such payment terms will be determined on an arm's length basis and will be referenced to the prevailing market prices at the time each further implementation agreement is entered.

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses. SHTCL, a wholly-owned subsidiary of CSC, is principally engaged in the provision of connection services for heating pipes, and the supply of heat, electricity and steam.

The Directors (including the independent non-executive directors) consider that the Connection Services Agreement has been entered into on normal commercial terms and in the ordinary course of business, and the terms and conditions therein (including the maximum contract sums) are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the directors of the Company has a material interest in the transactions contemplated under the Connection Services Agreement.

COHL, which is interested in approximately 53.1% of the issued share capital of the Company and approximately 62.5% of the issued share capital of CSC as at the date of the relevant agreement, is a connected person of each of the Company and CSC. The Company, CSC and SHTCL are associates of COHL. Accordingly, CSC and SHTCL are connected persons of the Company, and the Company is a connected person of CSC. The transactions contemplated under the Connection Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined under the Listing Rules) calculated for the Company in relation to the Connection Services Agreement are less than 5% as at the date of the agreement; the transactions contemplated under the Connection Services Agreement are subject to the reporting, annual review and announcement requirements and are exempted from the independent shareholders' approval requirement under the Listing Rules.

During the year, the maximum contract sums awarded to CSC under the Connection Services Agreement was HK$69.8 million (2011: HK$25.3 million) which did not exceed the cap of HK$150 million.

As the Connection Services Agreement was expired on 31 December 2012, new agreement been entered into by the same parties to the agreement on 18 May 2012, particulars as per paragraph (4) below.

(4) New Master CSC Group Engagement Agreement, New Master Lease Agreement, New Master Security Services Agreement and New Master Heating Pipes Connection Services Agreement

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

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

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

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

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

Particulars of the aforementioned new agreements are as follows:

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

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

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

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

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

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

Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules in respect of the maximum total contract sum that may be awarded for each year/period under each of the New Master CSC Group Engagement Agreement (i.e. the New Construction Works Cap), the New Master Security Services Agreement (i.e. the New Security Services Cap) and the New Master Heating Pipes Connection Services Agreement (i.e. the New Connection Services Cap) is less than 5%, respectively, the transactions contemplated under each of the New Master CSC Group Engagement Agreement, the New Master Security Services Agreement and the New Master Heating Pipes Connection Services Agreement, respectively, are subject only to the annual review, reporting and announcement requirements, and are exempt from the independent shareholders' approval requirement. In addition, since each of the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules in respect of the maximum aggregate rental (exclusive of rates, government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) payable by the CSC Group to the COLI Group for each year/period under the New Master Lease Agreement (i.e. the New Lease Cap) is less than 0.1%, the transactions contemplated under the New Master Lease Agreement are exempt from the annual review, reporting, announcement and the independent shareholders' approval requirements. The disclosure herein in relation to the New Master Lease Agreement is made on a voluntary basis by COLI. No director of COLI has a material interest in the transactions contemplated under each of the New Master CSC Group Engagement Agreement, the New Master Security Services Agreement, the New Master Heating Pipes Connection Services Agreement or the New Master Lease Agreement, respectively, nor is required to abstain from voting on the board resolution approving the transactions contemplated under each of the New Master CSC Group Engagement Agreement, the New Master Security Services Agreement, the New Master Heating Pipes Connection Services Agreement or the New Master Lease Agreement, respectively.

During the period from 1 July 2012 to 31 December 2012, the total contract sum awarded to the CSC Group under the New Master CSC Group Engagement Agreement was HK$21.3 million which did not exceed the cap of HK$400 million.

During the period from 1 July 2012 to 31 December 2012, the rental paid by the CSC Group under the New Master Lease Agreement was HK$7.4 million which did not exceed the cap of HK$9 million.

During the period from 1 July 2012 to 31 December 2012, the total contract sum awarded by the CSC Group to the Group under the New Master Security Services Agreement was HK$9.0 million which did not exceed the cap of HK$25 million.

During the year, no contract was awarded to CSC under the New Master Heating Pipes Connection Services Agreement as it take effect from 1 January 2013.

Annual review and confirmation in pursuance of Rule 14A.37 and 14A.38 of the Listing Rules

The independent non-executive directors have reviewed and confirmed in pursuance of Rule 14A.37 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 at which the transactions are either on an arm's length basis or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with 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.38 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 "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 containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 110 to 119 of the Annual Report as below:

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

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

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

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the Auditor of the Company that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement(s) made by the Company in respect of each of the disclosed continuing connected transactions.

A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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 47 to the financial statements. 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

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF CHINA OVERSEAS LAND & INVESTMENT LTD.
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Land & Investment Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 123 to 216, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000 (Restated)
Turnover	7	**64,580,694**	51,332,302
Cost of sales		**(37,574,299)**	(29,432,751)
Direct operating expenses		**(2,281,192)**	(1,227,335)
		24,725,203	20,672,216
Other income and gains	9	**730,881**	1,593,189
Gain arising from changes in fair value of and transfer to investment properties	16	**3,650,820**	3,020,016
Selling and distribution costs		**(842,440)**	(661,516)
Administrative expenses		**(1,194,135)**	(1,235,567)
Operating profit		**27,070,329**	23,388,338
Gain on deemed disposal of subsidiaries	41	**–**	45,628
Share of profits of			
Associates		**339,515**	202,838
Jointly controlled entities		**2,297,976**	719,260
Finance costs	10	**(285,602)**	(590,763)
Profit before tax		**29,422,218**	23,765,301
Income tax expenses	11	**(10,589,747)**	(8,207,115)
Profit for the year	12	**18,832,471**	15,558,186
Attributable to:			
Owners of the Company		**18,722,221**	15,464,098
Non-controlling interests		**110,250**	94,088
		18,832,471	15,558,186
		HK$	HK$
EARNINGS PER SHARE	15		
Basic		**2.29**	1.89
Diluted		**2.29**	1.89

Group turnover	**64,580,694**	51,332,302
Share of turnover of jointly controlled entities	**13,327,177**	6,391,003
	77,907,871	57,723,305

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000* (Restated)
Profit for the year	**18,832,471**	15,558,186
Other comprehensive income		
Exchange differences arising on translation of the Company and subsidiaries	**(75,875)**	2,266,982
Exchange differences on translation of associates	**20,750**	99,893
Exchange differences on translation of jointly controlled entities	**(12,165)**	693,298
Change in fair value of investments in syndicated property project companies	**(4,407)**	(91)
Other comprehensive income for the year	**(71,697)**	3,060,082
Total comprehensive income for the year	**18,760,774**	18,618,268
Total comprehensive income attributable to:		
Owners of the Company	**18,650,988**	18,505,540
Non-controlling interests	**109,786**	112,728
	18,760,774	18,618,268

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
Non-current Assets				
Investment properties	16	**23,657,327**	17,765,372	14,053,675
Property, plant and equipment	17	**975,862**	337,635	319,388
Prepaid lease payments for land	18	**161,996**	68,591	35,984
Interests in associates	20	**3,612,633**	3,340,454	210,497
Interests in jointly controlled entities	21	**13,579,848**	12,668,593	11,323,863
Investments in syndicated property project companies	22	**18,369**	22,776	22,867
Amounts due from associates	23	**–**	88,793	42,156
Amounts due from jointly controlled entities	23	**5,317,039**	11,727,717	8,981,367
Amounts due from syndicated property project companies		**–**	–	154
Other financial assets	25	**51,436**	17,417	23,726
Goodwill	42	**109,021**	109,021	109,021
Other intangible asset	43	**–**	–	39,870
Deferred tax assets	40	**2,073,652**	1,844,924	1,190,537
		49,557,183	47,991,293	36,353,105
Current Assets				
Inventories	26	**24,238**	30,682	4,154
Stock of properties	27	**108,479,874**	94,801,075	82,390,991
Land development expenditure	28	**3,271,962**	2,670,856	2,070,984
Prepaid lease payments for land	18	**5,105**	2,096	2,745
Trade and other receivables	29	**2,598,854**	1,850,085	2,874,544
Deposits and prepayments		**3,838,625**	1,858,122	2,771,797
Deposits for land use rights for property development		**14,136,292**	6,027,677	1,916,731
Amount due from a fellow subsidiary		**–**	–	845,000
Amounts due from associates	30	**196,947**	51,743	–
Amounts due from jointly controlled entities	30	**5,453,479**	676,226	529,926
Amounts due from non-controlling interests	30	**440,712**	301,243	110,386
Tax prepaid		**941,005**	534,944	354,544
Bank balances and cash	31	**40,880,412**	19,179,381	32,023,494
		180,267,505	127,984,130	125,895,296

	NOTES	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
Current Liabilities				
Trade and other payables	32	**16,916,629**	16,378,354	14,103,430
Pre-sales deposits		**40,506,159**	24,480,225	23,274,160
Rental and other deposits		**816,645**	732,196	712,335
Amount due to fellow subsidiaries	33	**353,501**	353,428	353,428
Amounts due to associates	33	**228,520**	270,566	258,703
Amounts due to jointly controlled entities	33	**4,590,819**	3,214,042	1,530,187
Tax liabilities		**15,017,622**	12,680,089	10,952,001
Borrowings — due within one year	37	**5,545,557**	7,481,866	10,214,113
Guaranteed notes payable	38	**–**	2,338,416	–
		83,975,452	67,929,182	61,398,357
Net Current Assets		**96,292,053**	60,054,948	64,496,939
		145,849,236	108,046,241	100,850,044
Capital and Reserves				
Share capital	35	**817,252**	817,252	817,252
Reserves		**86,426,887**	70,799,731	54,745,947
Equity attributable to owners of the Company		**87,244,139**	71,616,983	55,563,199
Non-controlling interests		**312,817**	273,015	3,207,251
Total Equity		**87,556,956**	71,889,998	58,770,450
Non-current Liabilities				
Borrowings — due after one year	37	**32,095,339**	25,113,861	24,305,704
Guaranteed notes payable	38	**21,147,701**	7,689,578	10,018,179
Amounts due to non-controlling interests	39	**2,017,849**	1,055,226	791,904
Derivative financial liability		**–**	–	1,187,323
Deferred tax liabilities	40	**3,031,391**	2,297,578	5,776,484
		58,292,280	36,156,243	42,079,594
		145,849,236	108,046,241	100,850,044

The financial statements on pages 123 to 216 were approved and authorised for issue by the Board of Directors on 18 March 2013 and are signed on its behalf by:

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Company Statement of Financial Position

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current Assets			
Property, plant and equipment	17	**9,864**	1,072
Investments in subsidiaries	19	**2,391,573**	2,093,857
Amounts due from subsidiaries	24	**1,110,872**	7,475,813
		3,512,309	9,570,742
Current Assets			
Stock of properties	27	**1,351**	1,751
Other receivables	29	**11,903**	8,468
Deposits and prepayments		**16,895**	8,456
Amounts due from subsidiaries	24	**48,604,425**	39,621,059
Tax prepaid		**118**	118
Bank balances and cash	31	**6,633,092**	1,616,927
		55,267,784	41,256,779
Current Liabilities			
Other payables	32	**43,874**	44,220
Other deposits		**172**	173
Amounts due to subsidiaries	34	**3,949,228**	3,545,414
Amount due to a jointly controlled entity	33	**–**	203,144
Tax liabilities		**18,643**	18,643
Borrowings — due within one year	37	**4,534,210**	4,806,400
Other financial liabilities	25	**118,296**	38,226
		8,664,423	8,656,220
Net Current Assets		**46,603,361**	32,600,559
		50,115,670	42,171,301
Capital and Reserves			
Share capital	35	**817,252**	817,252
Reserves	36	**23,777,917**	22,918,796
Total Equity		**24,595,169**	23,736,048
Non-current Liabilities			
Borrowings — due after one year	37	**25,043,045**	18,243,255
Other financial liabilities	25	**477,456**	191,998
		25,520,501	18,435,253
		50,115,670	42,171,301

Kong Qingping
DIRECTOR

Hao Jian Min
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
THE GROUP												
At 1 January 2011, as previously reported	817,252	18,796,072	18,798	519	22,950	22,823	5,252,288	1,120,969	28,683,219	54,734,890	3,207,251	57,942,141
Prior year adjustment in respect of a change in accounting policy *(note 2)*	–	–	–	–	–	–	10,223	–	818,086	828,309	–	828,309
At 1 January 2011, as restated	817,252	18,796,072	18,798	519	22,950	22,823	5,262,511	1,120,969	29,501,305	55,563,199	3,207,251	58,770,450
Profit for the year	–	–	–	–	–	–	–	–	15,464,098	15,464,098	94,088	15,558,186
Exchange differences arising on translation of the Company and subsidiaries	–	–	–	–	–	–	2,248,342	–	–	2,248,342	18,640	2,266,982
Exchange differences on translation of jointly controlled entities	–	–	–	–	–	–	693,298	–	–	693,298	–	693,298
Exchange differences on translation of associates	–	–	–	–	–	–	99,893	–	–	99,893	–	99,893
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	(91)	–	–	–	(91)	–	(91)
Total comprehensive income for the year	–	–	–	–	–	(91)	3,041,533	–	15,464,098	18,505,540	112,728	18,618,268
2010 final dividend paid	–	–	–	–	–	–	–	–	(1,389,328)	(1,389,328)	–	(1,389,328)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	87,736	87,736
2011 interim dividend paid	–	–	–	–	–	–	–	–	(1,062,428)	(1,062,428)	–	(1,062,428)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(5,923)	(5,923)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(223,160)	–	223,160	–	–	–
Deemed disposal of subsidiaries *(note 41)*	–	–	–	–	–	–	(45,970)	–	45,970	–	(3,128,777)	(3,128,777)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	325,101	(325,101)	–	–	–
At 31 December 2011	817,252	18,796,072	18,798	519	22,950	22,732	8,034,914	1,446,070	42,457,676	71,616,983	273,015	71,889,998
Profit for the year	–	–	–	–	–	–	–	–	18,722,221	18,722,221	110,250	18,832,471
Exchange differences arising on translation of the Company and subsidiaries	–	–	–	–	–	–	(75,411)	–	–	(75,411)	(464)	(75,875)
Exchange differences on translation of jointly controlled entities	–	–	–	–	–	–	(12,165)	–	–	(12,165)	–	(12,165)
Exchange differences on translation of associates	–	–	–	–	–	–	20,750	–	–	20,750	–	20,750
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	(4,407)	–	–	–	(4,407)	–	(4,407)
Total comprehensive income for the year	–	–	–	–	–	(4,407)	(66,826)	–	18,722,221	18,650,988	109,786	18,760,774
2011 final dividend paid	–	–	–	–	–	–	–	–	(1,634,504)	(1,634,504)	–	(1,634,504)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	10,370	10,370
2012 interim dividend paid	–	–	–	–	–	–	–	–	(1,389,328)	(1,389,328)	–	(1,389,328)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(76,049)	(76,049)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(81,104)	–	81,104	–	–	–
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(4,305)	(4,305)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	392,554	(392,554)	–	–	–
At 31 December 2012	**817,252**	**18,796,072**	**18,798**	**519**	**22,950**	**18,325**	**7,886,984**	**1,838,624**	**57,844,615**	**87,244,139**	**312,817**	**87,556,956**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**29,422,218**	23,765,301
Adjustments for:			
Share of profits of associates		**(339,515)**	(202,838)
Share of profits of jointly controlled entities		**(2,297,976)**	(719,260)
Finance costs		**285,602**	590,763
Depreciation and amortisation		**52,505**	43,598
Interest income		**(329,562)**	(566,879)
Gain arising from changes in fair value of and transfer to investment properties		**(3,650,820)**	(3,020,016)
Reversal on impairment loss on amount due from an associate		**–**	(205,127)
Gain on deemed disposal of subsidiaries		**–**	(45,628)
Loss/(gain) on disposal of property, plant and equipment		**5,872**	(1,082)
Operating cash flows before movements in working capital		**23,148,324**	19,638,832
Decrease in installments receivable		**71**	50
Decrease/(increase) in inventories		**6,440**	(27,162)
Increase in stock of properties		**(7,765,675)**	(19,755,764)
Increase in land development expenditure		**(384,899)**	(497,179)
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(2,729,617)**	362,838
Increase in deposits for land use rights for property development		**(14,062,155)**	(5,550,695)
Decrease/(increase) in restricted bank balances		**336,924**	(1,400,805)
Increase in trade and other payables, pre-sales deposits, and rental and other deposits		**16,653,199**	5,195,565
Cash generated from/(used in) operations		**15,202,612**	(2,034,320)
Income taxes paid		**(8,152,698)**	(5,963,341)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**7,049,914**	(7,997,661)
INVESTING ACTIVITIES			
Interest received		**317,226**	267,742
Dividends received from jointly controlled entities		**894,580**	–
(Increase)/decrease in pledged bank deposits		**(34,090)**	6,259
Purchase of property, plant and equipment		**(116,846)**	(143,224)
Increase in prepaid lease payments for land		**(38)**	(35,982)
Additions of investment properties		**(1,586,559)**	(1,421,935)
Addition investment in an associate		**(8,939)**	–
Advances to an associate		**(44,075)**	(98,380)
Repayment from associates		**–**	205,127
Repayment from/(advances to) jointly controlled entities		**2,017,765**	(2,788,908)
Advances to non-controlling interests		**(139,506)**	(196,782)
Repayment from syndicated property project companies		**–**	154
Capital contributions to jointly controlled entities		**–**	(30,836)
Capital distribution from a jointly controlled entity		**95,553**	–
Dividends received from associates		**97,025**	38,455
Repayment from a fellow subsidiary		**–**	845,000
Deemed disposal of subsidiaries	41	**–**	(2,161,555)
Net proceeds on disposal of property, plant and equipment		**13,516**	61,648
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**1,505,612**	(5,453,217)

	NOTE	**2012 HK$'000**	2011 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(1,744,964)**	(1,361,083)
Other finance costs paid		**(64,468)**	(34,314)
Cash dividends paid		**(3,023,832)**	(2,451,756)
Dividends paid to non-controlling interests		**(76,049)**	(5,923)
New bank loans raised		**16,047,580**	9,449,528
Repayment of bank loans		**(11,002,696)**	(8,694,378)
Issue of guaranteed notes		**13,444,228**	–
Repayment of guaranteed notes		**(2,340,000)**	–
Return of capital to non-controlling interests		**(4,305)**	–
Repayment to an associate		**(41,913)**	(965)
Advances from jointly controlled entities		**1,377,173**	1,608,212
Contributions from non-controlling interests of subsidiaries		**10,370**	44,947
Advances from non-controlling interests of subsidiaries		**919,795**	259,003
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**13,500,919**	(1,186,729)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**22,056,445**	(14,637,607)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**17,841,478**	31,573,981
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(18,325)**	905,104
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**39,879,598**	17,841,478
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**40,880,412**	19,179,381
Less: restricted bank balances	31	**(1,000,814)**	(1,337,903)
		39,879,598	17,841,478

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards

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

Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates For First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sales.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

The Group has reassessed the business models of the Group's investment properties located in Hong Kong and the PRC individually. The carrying values of certain investment properties are expected to be recovered through use and the presumption of sale for these investment properties is rebutted. For the remaining investment properties, the Group applies the rebuttable presumption that the carrying amount of these investment properties will be recovered through sale.

The Group has adopted Amendments to HKAS 12 retrospectively and the effect of adoption on the consolidated income statement and consolidated statement of financial position is as follows:

	For the year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Increase in profit for the year:		
Profit before tax	**–**	–
Income tax expenses	**521,289**	438,708
Profit for the year	**521,289**	438,708
Attributable to:		
Shareholders of the Company	**521,289**	438,708
Non-controlling interests	**–**	–
	521,289	438,708
	HK Cents	HK Cents
Earnings per share		
Basic	**6.38**	5.37
Diluted	**6.38**	5.37

	As at 31 December 2012	As at 31 December 2011	As at 1 January 2011
	HK$'000	*HK$'000*	*HK$'000*
Increase (decrease) in:			
Retained profits	**1,778,083**	1,256,794	818,086
Translation reserve	**47,963**	48,492	10,223
Total equity	**1,826,046**	1,305,286	828,309
Deferred tax liabilities	**(1,826,046)**	(1,305,286)	(828,309)
Total equity and liabilities	**–**	–	–

2. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Annual Improvements Project	Annual Improvements 2009–2011 Cycle[2]

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

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretation, and anticipated that the adoption of HKFRS 10 and HKFRS 11 will not lead to major changes in the classification of the Group's investments, and the adoption of HKFRS 12 will impact certain financial statement disclosures. Except for the aforementioned, the Group is in progress of assessing the impact of the other new or revised standards, amendments and interpretation.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 fair value of the consideration given in exchange for goods.

3. Significant Accounting Policies *(continued)*

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 (effective from 1 January 2010 onwards).

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 jointly controlled entity.

3. Significant Accounting Policies *(continued)*

Business Combinations

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 generally recognised in profit or loss as incurred.

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

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business Combinations *(continued)*

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, 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 acquire 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 were 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.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in Associates

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

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

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

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

3. Significant Accounting Policies *(continued)*

Interests in Associates *(continued)*

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

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

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

Joint Ventures

Interest in Jointly Controlled Entities
Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities 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 jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

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 jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

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

3. Significant Accounting Policies *(continued)*

Joint Ventures *(continued)*

Interest in Jointly Controlled Entities *(continued)*
Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, 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 jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when it loses joint control over that jointly controlled entity.

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

Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including investment properties under construction). 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 property (which is evidenced by commencement of an operating lease) 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.

3. Significant Accounting Policies *(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 in the consolidated and the company statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on assets other than goodwill below).

Impairment losses on Tangible and Intangible Assets other than Goodwill

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

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

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

3. Significant Accounting Policies *(continued)*

Impairment losses on Tangible and Intangible Assets other than Goodwill *(continued)*

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.

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, other financial assets, amounts due from a fellow subsidiary, subsidiaries, associates, jointly controlled entities, syndicated property project companies and non-controlling interests, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(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) are measured at fair value at the end of the reporting period. 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 (see accounting policy on impairment loss on 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; or

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

- it 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.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amounts due from associates are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

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

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 associates, jointly controlled entities, non-controlling interests, subsidiaries and fellow subsidiaries, borrowings and guaranteed notes payable) are measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity Instruments *(continued)*

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 exactly discounts estimated future cash payments (including all fees and points paid or received that form as 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 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 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.

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.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Derecognition *(continued)*
The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised 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 land cost, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Land Development Expenditure

Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of a piece of land in Beijing such as road construction, demolition and resettlement work, and other attributable expenses.

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.

3. Significant Accounting Policies *(continued)*

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. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity 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 jointly controlled entities 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.

3. Significant Accounting Policies *(continued)*

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.

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.

Retirement Benefit Costs

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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 jointly controlled entities 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.

3. Significant Accounting Policies *(continued)*

Share Options Granted to Employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received, determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

In relation to share options granted before 1 January 2005, the Group chose not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005 and accordingly, the consolidated financial statements did not recognise the financial effect of these share options until they were exercised.

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 and sales related taxes.

Property development
Revenue from property development in the ordinary course of business are recognised when all the following criteria are satisfied:

(1) the significant risks and rewards of ownership of the properties are transferred to the buyers;

(2) neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

(3) the amount of revenue can be measured reliably;

(4) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(5) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

Property Rentals
Rental income from properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

3. Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Real Estate Agency, Management Services and Building Design Consultancy Services
Revenue from the provision of real estate agency, 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.

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.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2012 at their fair values of approximately HK$23,657 million (2011: approximately HK$17,765 million). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

4. Key Sources of Estimation Uncertainty *(continued)*

(b) Impairment of Investments in Jointly Controlled Entities

Management assessed the recoverability of the Group's investments in jointly controlled entities undertaking property development projects in the PRC with an aggregate carrying amount of approximately HK$13,580 million (2011: approximately HK$12,669 million) included in the consolidated statement of financial position at 31 December 2012.

The assessment was based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2012 is stock of properties with an aggregate carrying amount of approximately HK$108,480 million (2011: approximately HK$94,801 million). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(d) Impairment of Amounts due from Jointly Controlled Entities

Included in the consolidated statement of financial position at 31 December 2012 is amounts due from jointly controlled entities with an aggregate carrying amount of approximately HK$10,771 million (2011: approximately HK$12,404 million). In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows generated by these jointly controlled entities, which are based on the plan of pre-sale of the underlying stock of properties held by the respective jointly controlled entity. Where the future plan or future cash flow is different from the original estimate, a material impairment loss may arise.

(e) 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 other property development expenditure.

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provisions for LAT in the period in which such determination is made.

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 loans and guaranteed notes payable disclosed in notes 37 and 38, respectively, cash and cash equivalents and equity attributable to owners of the Company.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy gearing ratio. For this purpose the Group defines net debt as total debt less bank deposits and cash. Equity attributable to owners of the Company comprise share capital, share premium and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position.

The gearing ratio at the year end were as follows:

	2012	2011
	HK$'000	*HK$'000*
Bank loans	**37,640,896**	32,595,727
Guaranteed notes payables	**21,147,701**	10,027,994
Total debt	**58,788,597**	42,623,721
Less: Bank deposits and cash	**(40,931,848)**	(19,196,727)
Net debt	**17,856,749**	23,426,994
Equity attributable to owners of the Company	**87,244,139**	71,616,983
Gearing ratio	**20.5%**	32.7%

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables at amortised cost (including cash and cash equivalents)	**54,938,879**	33,892,605	**56,360,292**	48,722,267
Available-for-sale financial assets (investments in syndicated property project companies)	**18,369**	22,776	**–**	–
Financial liabilities				
Liabilities at amortised cost	**82,895,915**	63,895,337	**33,570,357**	26,842,433
Financial guarantee contracts	**–**	–	**595,752**	230,224

b. Financial risk management objectives and policies

The Group's major financial instruments mainly include equity investments, borrowings, trade and other receivables, trade and other payables, amounts due from/to affiliated companies, derivative financial liability 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.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank loans, amounts due from jointly controlled entities and amount due to non-controlling interests, amounting to approximately HK$37,641 million (2011: HK$32,596 million), approximately HK$702 million (2011: HK$722 million) and approximately HK$403 million (2011: nil), respectively. The Company's cash flow interest rate risk relates to its variable-rate bank loans amounting to approximately HK$29,577 million (2011: HK$23,050 million). The variable-rate bank with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate restricted bank deposits, the guarantee notes payable, and amounts due to non-controlling interests, amounting to approximately HK$1,001 million (2011: HK$1,338 million), approximately HK$21,148 million (2011: HK$10,028 million) and approximately HK$422 million (2011: HK$170 million), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rate amounts due from subsidiaries amounting to HK$nil (2011: HK$4,142 million). Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liability 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.

THE GROUP

If interest rates had been 100 (2011: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2012 would decrease/increase by HK$57,101,000 (2011: decrease/increase by HK$127,735,000) after capitalising of finance costs in properties under development and investment properties under construction of HK$316,312,000 (2011: HK$190,979,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans, amounts due from jointly controlled entities and amount due to non-controlling interest.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

6. Financial Instruments *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Interest rate risk sensitivity analysis *(continued)*

THE COMPANY

If interest rates had been 100 (2011: 100) basis point higher/lower and all other variables were held constant, the Company's profit before tax for the year ended 31 December 2012 would decrease/increase by HK$295,773,000 (2011: decrease/increase by HK$230,497,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans.

Currency risk

The Group and the Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group and the Company currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
HK$	**2,827,855**	1,492,544	**1,492,850**	7,878,946
United States dollars ("US$")	**10,091,159**	7,571,902	**4,635,863**	343,109
Liabilities				
HK$	**30,402,071**	25,205,604	**32,886,453**	23,733,595
US$	**21,860,001**	10,355,130	**500,000**	203,144

6. Financial Instruments *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk sensitivity analysis

The Group and the Company mainly exposes to the currency risk of US$ and HK$. The following table details the Group's and the Company's sensitivity to a 5% (2011: 5%) increase and decrease in the RMB against US$ and HK$, respectively. 5% (2011: 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% (2011: 5%) change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the currency of the lender or the borrower receivables or payables. A positive/negative number below indicates an increase/decrease in profit where RMB strengthens against US$ or HK$. For a 5% (2011: 5%) weakening of RMB against the US$ or HK$, there would be an equal and opposite impact on the profit.

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	2012 ***HK$'000***	2011 *HK$'000*
RMB against HK$		
Profit before tax	**1,378,711**	1,185,653
RMB against US$		
Profit before tax	**588,442**	139,161

Note: This is mainly attributable to the net exposure to outstanding bank balances, receivables, payables, bank loans and guaranteed notes payable in respective US$ or HK$ at end of the reporting period.

THE COMPANY

	2012 ***HK$'000***	2011 *HK$'000*
RMB against HK$		
Profit before tax	**1,569,680**	792,732
RMB against US$		
Profit before tax	**(206,793)**	(6,998)

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

6. Financial Instruments *(continued)*

b. Financial risk management objectives and policies *(continued)*

(ii) Credit risk

As at 31 December 2012, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 46.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds as well as amounts due from a fellow subsidiary, associates, jointly controlled entities and non-controlling interests, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the fellow subsidiary, associates, jointly controlled entities and non-controlling interests, which are mainly engaged in property development business in Hong Kong and PRC and their property development projects are profitable. In addition, the Group reviews the recoverable amounts of the individual debts to ensure that adequate impairment losses are made for the irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is mitigated. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loans and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2012, the Group has available unutilised loan facilities of approximately HK$8,224 million (2011: HK$4,096 million) as disclosed in note 37.

The following table analyses the contractual undiscounted cash flows of the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from flat rate at the end of the reporting period.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

THE GROUP

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012						
Trade and other payables	**15,608,873**	**802,217**	**505,539**	**–**	**16,916,629**	**16,916,629**
Amount due to fellow subsidiaries	**353,501**	**–**	**–**	**–**	**353,501**	**353,501**
Amounts due to associates	**228,520**	**–**	**–**	**–**	**228,520**	**228,520**
Amounts due to jointly controlled entities	**4,590,819**	**–**	**–**	**–**	**4,590,819**	**4,590,819**
Amounts due to non-controlling interests	**–**	**458,962**	**1,624,409**	**–**	**2,083,371**	**2,017,849**
Borrowings — variable rate	**6,581,419**	**5,873,674**	**27,415,483**	**–**	**39,870,576**	**37,640,896**
Guaranteed notes payable	**838,689**	**1,050,990**	**8,681,378**	**20,973,965**	**31,545,022**	**21,147,701**
Financial guarantee contracts	**11,693,974**	**308,337**	**148,002**	**–**	**12,150,313**	**–**
	39,895,795	**8,494,180**	**38,374,811**	**20,973,965**	**107,738,751**	**82,895,915**

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011						
Trade and other payables	15,222,226	702,440	448,581	5,107	16,378,354	16,378,354
Amount due to fellow subsidiaries	353,428	–	–	–	353,428	353,428
Amounts due to associates	270,566	–	–	–	270,566	270,566
Amounts due to jointly controlled entities	3,214,042	–	–	–	3,214,042	3,214,042
Amounts due to non-controlling interests	–	–	1,127,459	–	1,127,459	1,055,226
Borrowings — variable rate	8,234,713	8,554,975	17,176,913	–	33,966,601	32,595,727
Guaranteed notes payable	2,777,390	427,350	1,282,050	9,459,400	13,946,190	10,027,994
Financial guarantee contracts	6,520,891	370,051	308,375	–	7,199,317	–
	36,593,256	10,054,816	20,343,378	9,464,507	76,455,957	63,895,337

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

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	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012						
Other payables	43,874	–	–	–	43,874	43,874
Amounts due to subsidiaries	3,949,228	–	–	–	3,949,228	3,949,228
Borrowings — variable rate	5,079,979	2,899,369	22,871,377	–	30,850,725	29,577,255
Financial guarantee contracts	1,647,755	2,948,939	9,880,354	15,504,000	29,981,048	595,752
	10,720,836	5,848,308	32,751,731	15,504,000	64,824,875	34,166,109

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011						
Other payables	44,220	–	–	–	44,220	44,220
Amounts due to subsidiaries	3,616,312	–	–	–	3,616,312	3,545,414
Amount due to a jointly controlled entity	203,144	–	–	–	203,144	203,144
Borrowings — variable rate	5,112,245	4,787,590	14,031,483	–	23,931,318	23,049,655
Financial guarantee contracts	2,282,064	2,333,040	4,687,307	7,776,800	17,079,211	230,224
	11,257,985	7,120,630	18,718,790	7,776,800	44,874,205	27,072,657

As at 31 December 2011, bank loans with a repayable on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis, the aggregate undiscounted principal amounts of these bank loans amounted to HK$800,000,000. The amount was repaid during 2012 in accordance with the scheduled repayment dates set out in the loan agreements.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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 amount 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 than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

c. Fair value

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

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

- The fair value of financial guarantee contracts is determined using discounted cash flow models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default;

- The fair value of derivative financial liability is determined using Monte-Carlo simulation model where the main assumptions are the expected volatility of the share price of China Overseas Grand Oceans Group Limited ("COGO"), probability of cash or equity settlement and the discount rate; and

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Other than the guaranteed notes payable that is disclosed in note 38, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. Financial Instruments (continued)

c. Fair value (continued)

Fair value measurements recognised in the statements 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).

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	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale financial asset				
Investments in syndicated property project companies	**–**	**–**	**18,369**	**18,369**

	2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial asset				
Investments in syndicated property project companies	–	–	22,776	22,776

There were no transfer between Level 1 and Level 2 in the current year.

6. Financial Instruments *(continued)*

c. Fair value *(continued)*

Fair value measurements recognised in the statements of financial position *(continued)*

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

	Investments in syndicated property project companies	**Derivative financial liability**
	HK$'000	*HK$'000*
At 1 January 2011	22,867	1,187,323
Change in fair value of investments in syndicated property project companies	(91)	–
Deemed disposal of subsidiaries *(note 41)*	–	(1,187,323)
At 31 December 2011	22,776	–
Change in fair value of investments in syndicated property project companies	(4,407)	–
At 31 December 2012	18,369	–

Included in other comprehensive income is an amount of loss of HK$4,407,000 (2011: loss of HK$91,000) relating to investments in syndicated property project companies held at the end of the reporting period and is reported as changes of investment revaluation reserve.

For the fair value measurements of Level 3, the change in one or more of the inputs to reasonably possible assumptions, i.e. 10% increase/decrease would not change the fair value of the derivative financial liability significantly.

The Company
There were no financial instruments that are measured subsequent to initial recognition at fair value in the Company's statement of financial position.

7. Turnover

Turnover represents revenue which comprises of proceeds from properties development activities, property rentals, real estate agency and management service fees and other income. An analysis of the Group's turnover for the year is as follows:

	2012 HK$'000	2011 HK$'000
Proceeds from properties development activities	**61,406,977**	49,432,401
Property rentals	**584,845**	373,247
Revenue from real estate agency and management services	**1,325,923**	1,089,204
Other income *(Note)*	**1,262,949**	437,450
	64,580,694	51,332,302

Note: Other income mainly comprises of revenue from the provision of construction and building design consultancy services.

8. Segment Information

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's management, for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property development — proceeds from property development activities

Property investment — property rentals

Other operations — revenue from real estate agency and management services, construction and building design consultancy services

Management closely monitors the selling activities for the property development projects carried out by its subsidiaries and jointly controlled entities. The analysis of the Group's share of turnover of jointly controlled entities and the share of results of jointly controlled entities by reportable segments are regularly provided to the management of the Group for the purpose of performance assessment as they form part of the critical components of the Group's financial performance. Therefore, management believes that the additional disclosure of the Group's share of turnover of jointly controlled entities (in addition to the HKFRS consolidated income statement and in this note to the financial statements), together with the share of results of jointly controlled entities by reportable segments enables the readers to better understand how management oversees the results and performance of the jointly controlled entities in the property development segment.

8. Segment Information *(continued)*

Segment turnover and results

The following is an analysis of the Group's turnover and results and the Group's share of turnover and results of jointly controlled entities by reportable segments.

Year ended 31 December 2012

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segments total *HK$'000*
Segment turnover — from external customers	**61,406,977**	**584,845**	**2,588,872**	**64,580,694**
Group's share of turnover of jointly controlled entities	**13,327,177**	**–**	**–**	**13,327,177**
Turnover of the Group and Group's share of turnover of jointly controlled entities	**74,734,154**	**584,845**	**2,588,872**	**77,907,871**
Segment profit (including share of profits of associates and jointly controlled entities)	**25,151,999**	**4,146,927**	**136,534**	**29,435,460**
Group's share of profit of jointly controlled entities	**2,297,976**	**–**	**–**	**2,297,976**

Year ended 31 December 2011

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segments total *HK$'000*
Segment turnover — from external customers	49,432,401	373,247	1,526,654	51,332,302
Group's share of turnover of jointly controlled entities	6,391,003	–	–	6,391,003
Turnover of the Group and Group's share of turnover of jointly controlled entities	55,823,404	373,247	1,526,654	57,723,305
Segment profit (including share of profits of associates and jointly controlled entities)	20,024,723	3,331,571	185,722	23,542,016
Group's share of profit of jointly controlled entities	719,260	–	–	719,260

Note: Business tax of HK$2,749,326,000 was presented net of turnover for the year ended 31 December 2011, and had been reclassified to cost of sales and direct operating expenses to conform to the current year presentation and market practice.

8. SEGMENT INFORMATION *(continued)*

Segment turnover and results *(continued)*

Reconciliation of reportable segment profit to the consolidated profit before tax

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit includes profits from subsidiaries, share of profits of jointly controlled entities and share of profits of associates. This represents the profit earned by each segment without allocation of interest income, gain on deemed disposal of subsidiaries, corporate expenses, finance costs and net foreign exchange gains. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

	2012 ***HK$'000***	2011 *HK$'000*
Reportable segment profit	**29,435,460**	23,542,016
Unallocated items:		
Interest income	**269,923**	221,237
Gain on deemed disposal of subsidiaries	**–**	45,628
Corporate expenses	**(75,595)**	(112,695)
Finance costs	**(242,813)**	(547,974)
Net foreign exchange gains	**35,243**	617,089
Profit before tax	**29,422,218**	23,765,301

Segment assets and liabilities

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

At 31 December 2012

	Property development ***HK$'000***	**Property investment** ***HK$'000***	**Other operations** ***HK$'000***	**Segments total** ***HK$'000***
Segment assets (including interests in and amounts due from associates and jointly controlled entities) *(Note a)*	**163,664,640**	**23,717,307**	**1,562,329**	**188,944,276**
Segment liabilities (including amounts due to associates and jointly controlled entities) *(Note b)*	**(78,733,529)**	**(3,138,608)**	**(1,606,998)**	**(83,479,135)**

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

At 31 December 2011

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segments total *HK$'000*
Segment assets (including interests in and amounts due from associates and jointly controlled entities) *(Note a)*	138,249,292	17,881,589	665,161	156,796,042
Segment liabilities (including amounts due to associates and jointly controlled entities) *(Note b)*	(58,319,235)	(1,874,679)	(1,267,790)	(61,461,704)

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 borrowings and guaranteed notes payable.

	2012 ***HK$'000***	2011 *HK$'000*
Reportable segment assets	**188,944,276**	156,796,042
Unallocated items:		
Bank balances and cash	**40,880,412**	19,179,381
Consolidated total assets	**229,824,688**	175,975,423
Reportable segment liabilities	**83,479,135**	61,461,704
Unallocated items:		
Borrowings	**37,640,896**	32,595,727
Guaranteed notes payable	**21,147,701**	10,027,994
Consolidated total liabilities	**142,267,732**	104,085,425

Notes:

(a) Segment assets include interests in and amounts due from jointly controlled entities of HK$13,579,848,000 (2011: HK$12,668,593,000) and HK$10,770,518,000 (2011: HK$12,403,943,000) respectively.

(b) Segment liabilities include amounts due to jointly controlled entities of HK$4,590,819,000 (2011: HK$3,214,042,000).

8. SEGMENT INFORMATION *(continued)*

Other Segment information

Year ended 31 December 2012

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	**47,961**	**1,586,559**	**68,923**	**1,703,443**
Gain (loss) on disposal of property, plant and equipment	**12,435**	**(1)**	**(18,306)**	**(5,872)**
Depreciation and amortization	**25,679**	**5,912**	**20,914**	**52,505**
Gain arising from changes in fair value of and transfer to investment properties	**–**	**3,650,820**	**–**	**3,650,820**
Interest income on amounts due from jointly controlled entities	**47,260**	**–**	**–**	**47,260**
Interest income on amounts due from associates	**12,336**	**–**	**–**	**12,336**
Share of profits of associates	**339,515**	**–**	**–**	**339,515**

Year ended 31 December 2011

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	77,094	1,422,491	101,556	1,601,141
Gain (loss) on disposal of property, plant and equipment	1,064	70	(52)	1,082
Depreciation and amortization	20,617	5,258	17,723	43,598
Gain arising from changes in fair value of investment properties	–	3,020,016	–	3,020,016
Interest income on amounts due from jointly controlled entities	333,158	–	–	333,158
Interest income on amounts due from associates	12,336	–	–	12,336
Share of profits of associates	202,838	–	–	202,838
Reversal of impairment loss upon recovery of amount due from an associate	205,127	–	–	205,127

Note: Non-current assets exclude financial instruments, investments in syndicated property project companies, interests in associates, interests in jointly controlled entities and deferred tax assets.

8. Segment Information (continued)

Revenue from major products and services

An analysis of the Group's turnover 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 and other regions in the PRC. The following table provides an geographical analysis of the Group's turnover from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

	Turnover by geographical market		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hua Nan Region	**10,363,906**	10,477,902	**3,417,552**	2,285,379
Hua Dong Region	**12,470,651**	11,052,088	**1,479,376**	753,106
Hua Bei Region	**14,145,340**	10,293,582	**10,225,846**	8,956,169
Northern Region	**10,119,014**	10,810,164	**742,484**	468,097
Western Region	**15,183,032**	7,354,005	**4,858,880**	2,268,045
Hong Kong	**2,287,491**	1,332,965	**4,008,560**	3,397,194
Macau	**11,260**	11,596	**171,508**	152,629
	64,580,694	51,332,302	**24,904,206**	18,280,619

Note: Non-current assets exclude financial instruments, investments in syndicated property project companies, interests in associates, interests in jointly controlled entities 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.

9. Other Income and Gains

	2012 **HK$'000**	2011 HK$'000
Other income and gains include:		
Interest on bank deposits	**269,923**	221,237
Interest income on amounts due from		
— associates	**12,336**	12,336
— jointly controlled entities	**47,260**	333,158
Other interest income	**43**	148
Total interest income	**329,562**	566,879
Reversal of impairment loss upon recovery of amount due from an associate	**–**	205,127
Net foreign exchange gains	**35,243**	617,089

10. Finance Costs

	2012 **HK$'000**	2011 HK$'000
Interest on bank loans and guaranteed notes wholly repayable within five years	**1,025,710**	962,635
Interest on guaranteed notes not wholly repayable within five years	**734,733**	434,282
Interest on amounts due to non-controlling interests	**42,789**	42,789
Other finance costs	**64,468**	34,314
Total finance costs	**1,867,700**	1,474,020
Less: Amount capitalised	**(1,582,098)**	(883,257)
	285,602	590,763

Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 3.12% (2011: 2.03%) per annum to expenditure on qualifying assets.

11. Income Tax Expenses

	2012 HK$'000	2011 HK$'000 (Restated)
Current tax:		
Hong Kong profits tax	**156,547**	79,034
Macau income tax	**–**	1,238
PRC Enterprise Income Tax ("EIT")	**4,785,151**	4,181,480
PRC withholding income tax	**146,462**	217,893
LAT	**5,009,322**	3,884,324
	10,097,482	8,363,969
(Over)under-provision in prior years:		
Hong Kong profits tax	**(3,258)**	2,877
Macau income tax	**(733)**	(2,458)
EIT	**(5,720)**	(7,445)
LAT	**–**	(30,041)
	(9,711)	(37,067)
Deferred tax *(note 40)*		
Current year	**501,976**	(119,787)
Total	**10,589,747**	8,207,115

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% in 2012. In 2011, except for certain PRC subsidiaries of the Company which are taxed at concessionary rate of 24% due to transitional provisions, the statutory tax rate of the Company's PRC subsidiaries was 25% from 1 January 2008 onwards.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Macau income tax is calculated at the prevailing tax rate of 12% (2011: 12%) in Macau.

Details of deferred tax are set out in note 40.

11. Income Tax Expenses *(continued)*

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

	2012 HK$'000	2011 HK$'000 (Restated)
Profit before tax	**29,422,218**	23,765,301
Tax at the applicable tax rate of 25% (2011: 25%)	**7,355,555**	5,941,325
PRC withholding income tax	**146,462**	217,893
LAT	**5,009,322**	3,884,324
Tax effect of LAT	**(1,252,331)**	(971,081)
Tax effect of share of results of associates and jointly controlled entities	**(659,373)**	(230,525)
Tax effect of expenses not deductible for tax purpose	**269,317**	66,534
Tax effect of income not taxable for tax purpose	**(180,296)**	(599,122)
Over-provision in prior years	**(9,711)**	(37,067)
Tax effect of tax losses not recognised	**63,460**	141,347
Utilisation of tax losses previously not recognised	**(84,186)**	(77,543)
Deferred tax on undistributed earnings of PRC subsidiaries and jointly controlled entities	**6,534**	(78,090)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(93,467)**	(52,747)
Income tax at concessionary rates	**–**	(15,280)
Others	**18,461**	17,147
Income tax expenses for the year	**10,589,747**	8,207,115

12. Profit for the Year

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
Audit services	**7,420**	7,400
Non-audit services	**1,970**	85
	9,390	7,485
Business tax and other levies	**3,458,810**	2,749,326
Depreciation of property, plant and equipment	**49,614**	41,379
Amortisation of prepaid lease payments for land	**2,891**	2,219
Staff costs including directors' emoluments *(Note)*	**981,675**	1,007,991
Rental expenses in respect of land and buildings under operating leases	**50,610**	36,736
Share of tax of		
Associates	**23,545**	245,223
Jointly controlled entities	**1,299,747**	685,171
Loss (gain) on disposal of property, plant and equipment	**5,872**	(1,082)
Cost of stock of properties recognised as expenses	**34,310,711**	26,764,419
Cost of inventories recognised as expenses	**291,391**	17,910
Rental income in respect of investment properties under operating leases, net of outgoings of HK$77,344,000 (2011: HK$33,707,000)	**(507,501)**	(325,441)

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 profit or loss of approximately HK$49 million (2011: approximately HK$54 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company are as follows:

	Year ended 31 December 2012				
	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	–	6,602	2,709	14	9,325
Hao Jian Min	–	3,433	5,151	14	8,598
Xiao Xiao	–	4,316	4,029	14	8,359
Dong Daping	–	1,218	6,049	–	7,267
Nip Yun Wing	–	2,610	1,697	14	4,321
Luo Liang	–	1,307	7,901	–	9,208
Lin Xiaofeng	–	582	3,611	–	4,193
Wu Jianbin	335	–	–	–	335
Chen Bin	61	–	–	–	61
Zheng Xuexuan	300	–	–	–	300
Li Kwok Po, David	360	–	–	–	360
Lam Kwong Siu	250	–	–	–	250
Wong Ying Ho, Kennedy	360	–	–	–	360
Fan Hsu Lai Tai, Rita	360	–	–	–	360
	2,026	20,068	31,147	56	53,297

	Year ended 31 December 2011				
	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Kong Qingping	–	6,786	2,527	12	9,325
Hao Jian Min	132	3,296	4,521	12	7,961
Xiao Xiao	–	4,399	2,521	12	6,932
Dong Daping	–	1,167	4,711	–	5,878
Nip Yun Wing	–	2,428	1,416	12	3,856
Luo Liang	–	1,253	6,024	–	7,277
Lin Xiaofeng	–	915	4,554	–	5,469
Wu Jianbin	538	–	–	–	538
Chen Bin	304	366	5,289	–	5,959
Zheng Xuexuan	61	–	–	–	61
Li Kwok Po, David	360	–	–	–	360
Lam Kwong Siu	250	–	–	–	250
Wong Ying Ho, Kennedy	360	–	–	–	360
Fan Hsu Lai Tai, Rita	360	–	–	–	360
	2,365	20,610	31,563	48	54,586

13. Directors' Emoluments *(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, four (2011: five) were directors of the Company whose emoluments are included above. The emolument of the remaining one (2011: nil) individual was set out in note 47.

No directors waived any emoluments in both years ended 31 December 2012 and 31 December 2011.

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 2012 and 31 December 2011.

14. Dividends

	2012 ***HK$'000***	2011 *HK$'000*
Interim dividend paid in respect of financial year ended 31 December 2012 of HK15 cents and a special dividend of HK2 cents (2011: financial year ended 31 December 2011 interim dividend of HK13 cents) per share	**1,389,328**	1,062,428
Final dividend paid in respect of financial year ended 31 December 2011 of HK20 cents (2011: financial year ended 31 December 2010 final dividend of HK17 cents) per share	**1,634,504**	1,389,328
	3,023,832	2,451,756

The final dividend of HK24 cents in respect of the financial year ended 31 December 2012 (2011: final dividend of HK20 cents in respect of the financial year ended 31 December 2011) per share, amounting to approximately HK$1,961 million (2011: approximately HK$1,635 million) has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements. These financial statements do not reflect this dividend payable.

15. 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:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**18,722,221**	15,464,098
Adjustment to the profit of the Group based on dilutive earnings per share of COGO *(Note)*	**(17,398)**	–
Earnings for the purpose of diluted earnings per share	**18,704,823**	15,464,098

	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,172,519**	8,172,519
Effect of dilutive potential ordinary shares Share options	**2,638**	2,602
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,175,157**	8,175,121

Note: The earnings for the purpose of diluted earnings per share for the year ended 31 December 2012 have been adjusted to assume the conversion of convertible bonds of COGO during the year.

16. Investment Properties

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
THE GROUP			
FAIR VALUE			
At 1 January 2011	10,670,198	3,383,477	14,053,675
Additions of land cost and construction costs	–	1,421,935	1,421,935
Transfer upon completion	1,339,583	(1,339,583)	–
Transfer to property, plant and equipment *(note 17)*	(5,200)	–	(5,200)
Deemed disposal of subsidiaries *(note 41)*	(1,309,549)	–	(1,309,549)
Gain arising from changes in fair value of investment properties	1,879,073	1,140,943	3,020,016
Exchange realignment	356,028	228,467	584,495
At 31 December 2011	12,930,133	4,835,239	17,765,372
Additions of land cost and construction costs	28,250	1,558,309	1,586,559
Transfer upon completion	705,476	(705,476)	–
Transfer from property, plant and equipment *(note 17)*	32,144	–	32,144
Transfer from completed properties	143,888	–	143,888
Reclassified from deposits for land use rights	–	485,484	485,484
Gain arising from changes in fair value of and transfer to investment properties *(Note)*	2,221,773	1,429,047	3,650,820
Exchange realignment	(2,918)	(4,022)	(6,940)
At 31 December 2012	**16,058,746**	**7,598,581**	**23,657,327**

Note: The amount includes HK$317,036,000 (2011: nil) in respect of the gain on transfer of completed properties held for sale to investment properties.

16. Investment Properties *(continued)*

An analysis of the investment properties of the Group at the end of reporting period is as follows:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Investment properties:		
In Hong Kong		
On long-term leases	**717,000**	589,200
On medium-term leases	**3,233,200**	2,718,550
In Macau		
On medium-term leases	**161,000**	149,000
In the PRC		
On medium-term leases	**19,546,127**	14,308,622
	23,657,327	17,765,372

The fair values of the investment properties, including both land and building elements held by the Group at 31 December 2011 and 2012 have been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited.

DTZ Debenham Tie Leung Limited is an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The valuation for completed investment properties, was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The valuation for properties under construction was arrived at by making reference to comparable sales evidence as available in the relevant market. The construction cost expended and the estimated construction cost to complete the development as at the date of valuation are also taken into account.

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.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong HK$'000	Leasehold land and buildings HK$'000	Hotel building HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2011	4,375	255,220	–	37,355	254,804	551,754
Exchange realignment	–	8,275	–	636	9,827	18,738
Additions	–	7,567	–	23,739	111,918	143,224
Transfer from investment properties *(note 16)*	–	5,200	–	–	–	5,200
Disposals	–	(3,945)	–	(297)	(74,953)	(79,195)
Deemed disposal of subsidiaries *(note 41)*	–	(40,326)	–	–	(11,608)	(51,934)
At 31 December 2011	4,375	231,991	–	61,433	289,988	587,787
Exchange realignment	–	(36)	–	(35)	(37)	(108)
Additions	–	16,278	–	32,192	68,376	116,846
Transfer from properties under development	–	–	622,599	–	–	622,599
Transfer to investment properties *(note 16)*	(4,375)	(42,360)	–	–	–	(46,735)
Disposals	–	–	–	(423)	(48,162)	(48,585)
At 31 December 2012	–	205,873	622,599	93,167	310,165	1,231,804
DEPRECIATION						
At 1 January 2011	1,307	40,483	–	36,590	153,986	232,366
Exchange realignment	–	1,215	–	93	5,448	6,756
Provided for the year	82	11,729	–	2,558	27,010	41,379
Eliminated on disposals	–	(2,470)	–	(332)	(15,827)	(18,629)
Eliminated on deemed disposal of subsidiaries *(note 41)*	–	(5,818)	–	–	(5,902)	(11,720)
At 31 December 2011	1,389	45,139	–	38,909	164,715	250,152
Exchange realignment	–	(11)	–	(4)	(21)	(36)
Provided for the year	–	12,912	–	3,444	33,258	49,614
Transfer to investment properties *(note 16)*	(1,389)	(13,202)	–	–	–	(14,591)
Eliminated on disposals	–	–	–	(68)	(29,129)	(29,197)
At 31 December 2012	–	44,838	–	42,281	168,823	255,942
CARRYING VALUES						
At 31 December 2012	**–**	**161,035**	**622,599**	**50,886**	**141,342**	**975,862**
At 31 December 2011	2,986	186,852	–	22,524	125,273	337,635

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

	Buildings	Furniture, fixtures, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
COST			
At 1 January 2011	950	24,909	25,859
Additions	–	329	329
Disposals	(950)	(964)	(1,914)
At 31 December 2011	–	24,274	24,274
Additions	–	9,158	9,158
Disposals	–	(8,310)	(8,310)
At 31 December 2012	–	25,122	25,122
DEPRECIATION			
At 1 January 2011	827	23,805	24,632
Provided for the year	123	326	449
Eliminated on disposals	(950)	(929)	(1,879)
At 31 December 2011	–	23,202	23,202
Provided for the year	–	239	239
Eliminated on disposals	–	(8,183)	(8,183)
At 31 December 2012	–	15,258	15,258
CARRYING VALUES			
At 31 December 2012	**–**	**9,864**	**9,864**
At 31 December 2011	–	1,072	1,072

17. Property, Plant and Equipment *(continued)*

An analysis of the carrying values of leasehold land and buildings are as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
In Hong Kong				
Long-term lease	**1,129**	1,159	**–**	–
Medium-term leases	**40,970**	74,224	**–**	–
In the PRC				
Medium-term leases	**118,936**	114,455	**–**	–
	161,035	189,838	**–**	–

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

18. Prepaid Lease Payments for Land

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Land use rights in the PRC				
Medium-term leases	**167,101**	70,687	**–**	–
Analysed for reporting purposes as				
Non-current asset	**161,996**	68,591	**–**	–
Current asset	**5,105**	2,096	**–**	–
	167,101	70,687	**–**	–

19. Investments in Subsidiaries

	THE COMPANY	
	2012	2011
	HK$'000	*HK$'000*
Investments in subsidiaries, unlisted	**2,391,573**	2,093,857

Particulars of the principal subsidiaries are set out in note 48.

20. Interests in Associates

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Cost of investments		
Listed in Hong Kong	**2,862,287**	2,853,348
Unlisted	**97,131**	97,131
Share of post-acquisition profits and other comprehensive income, net of dividends received	**653,215**	389,975
	3,612,633	3,340,454
Market value of the interest in the listed associate	**8,077,649**	3,922,392

Set out below are the particulars of the principal associates at 31 December 2012 and 2011 which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would result in particulars of excessive length.

Name of entity	**Place of incorporation**	**Place of operation**	**Proportion of nominal value of issued ordinary capital/ registered capital indirectly held**		**Principal activities**
			2012	2011	
COGO*	Hong Kong	PRC	**37.98%**	37.91%	Property development and investment and investment holding
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	PRC	**40%**	40%	Property development and trading

* *COGO is listed in the Main Board of the Hong Kong Stock Exchange. As set out in note 41, the Group's effective interest in COGO had been diluted from 50.1% to 37.9% in February 2011, resulting in the loss of control in COGO, which became an associate of the Company.*

20. Interests in Associates *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2012 **HK$'000**	2011 HK$'000
Total assets	**34,266,008**	26,110,724
Total liabilities	**(24,714,817)**	(17,457,797)
Net assets	**9,551,191**	8,652,927
Group's share of net assets of the associates	**3,612,633**	3,340,454
Revenue	**9,782,959**	5,190,763
Profit for the year	**869,912**	620,702
Other comprehensive income	**55,052**	258,574
Group's share of profits and other comprehensive income of the associates for the year	**360,265**	302,731

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	THE GROUP	
	2012 **HK$'000**	2011 HK$'000
Unrecognised share of profits of associates for the year	**772**	61
Accumulated unrecognised share of losses of associates	**(2,145)**	(2,917)

As the accumulated unrecognised share of losses of those associates still exceeds the Group's interests in those associates, no share of profits has been recognised in the Group's consolidated income statement for current year.

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

21. Interests in Jointly Controlled Entities

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Cost of investments, unlisted	**10,245,760**	10,725,736
Share of post-acquisition profits and other comprehensive income, net of dividends received	**3,334,088**	1,942,857
	13,579,848	12,668,593

Set out below are the particulars of the principal jointly controlled entities at 31 December 2012 and 2011, which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These jointly controlled entities 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 **2012**	2011	Principal activities
深圳中海信和地產開發有限公司	**50%**	50%	Property development
Big Profit Enterprises Limited **	**50%**	50%	Investment holding
上海中海海軒房地產有限公司	**50%**	50%	Property development
Elite Mind International Limited *	**60%^**	60%^	Investment Holding
重慶嘉江房地產開發有限公司	**60%^**	60%^	Property development
Speedy Champ Investments Limited *	**45%^**	45%^	Investment Holding
重慶豐盈房地產開發有限公司	**45%^**	45%^	Property development
寧波中海和協置業發展有限公司	**50%**	50%	Property development
杭州中海雅戈爾房地產有限公司	**50%**	50%	Property development
Kingtron Enterprises Limited *	**50%**	50%	Investment holding
海墅房地產開發(杭州)有限公司	**50%**	50%	Property development
Fast Right Investments Limited *	**50%**	50%	Investment holding
杭州世茂世盈房地產開發有限公司	**50%**	50%	Property development
Empire Land Investments Limited *	**50%**	50%	Investment holding

21. Interests in Jointly Controlled Entities (continued)

Name of entity	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group 2012	2011	Principal activities
重慶嘉益房地產開發有限公司	**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
Harmony China Real Estate Fund, L.P. ***	**28%^**	28%^	Investment holding
Novel Wisdom Limited **	**53%^**	53%^	Investment holding
中海地產(瀋陽)有限公司	**77%^**	77%^	Property development
Ring Tide Limited **	**78%^**	78%^	Investment holding
中海地產(青島)投資開發有限公司	**78%^**	78%^	Property development
天津贏超房地產開發有限公司	**50%**	50%	Property development
中海鼎業(西安)房地產有限公司	**78%^**	78%^	Property development
上海海創房地產有限公司	**50%**	50%	Property development
COLI ICBCI China Investment Management Limited *	**45%^**	45%^	Investment advisory
COLI ICBCI China Investment Management (Cayman Islands) Limited ***	**45%^**	45%^	Fund management
COLI ICBCI China Real Estate G.P. Limited ***	**50%**	50%	Fund management
COLI ICBCI China Real Estate S.L.P. Limited ***	**45%^**	45%^	Fund management
蘇州中海雅戈爾房地產有限公司	**51%^**	51%^	Property development
Rebound Capital Limited **	**50%**	50%	Investment holding
冠泉企業有限公司 *	**50%**	50%	Investment holding
冠泉置業(寧波)有限公司	**50%**	50%	Property development
武漢榮業房地產有限公司	**50%**	50%	Property development

* *Incorporated in Hong Kong*
** *Incorporated in the British Virgin Islands*
*** *Incorporated in the Cayman Islands*
^ *The Group exercises joint control over the financial and operating policies of these companies 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 jointly controlled entities.*

21. Interests in Jointly Controlled Entities *(continued)*

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2012 **HK$'000**	2011 HK$'000
Current assets	**45,134,075**	39,334,112
Non-current assets	**1,050,847**	973,868
Current liabilities	**26,872,578**	22,578,924
Non-current liabilities	**5,960,902**	5,234,796
Income recognised in profit or loss	**13,397,311**	6,478,992
Expenses recognised in profit or loss	**11,099,335**	5,759,732

The contingent liabilities relating to the group's interest in the jointly controlled entities are disclosed in note 46 to the financial statements.

22. Investments in Syndicated Property Project Companies

	THE GROUP	
	2012 **HK$'000**	2011 HK$'000
Unlisted		
Available-for-sale equity investments, at fair value	**18,369**	22,776

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**
Direct Profit Development Limited	8	Property development
Dramstar Company Limited	12	Property development
Moricrown Ltd. *	7	Property development
Victory World Limited	10	Property development

* *Incorporated in the British Virgin Islands*

23. Amounts due from Associates and Jointly Controlled Entities under Non-current Assets

	THE GROUP					
	2012			2011		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from						
— associates	**–**	**–**	**–**	86,338	2,455	88,793
— jointly controlled entities	**4,614,658**	**702,381**	**5,317,039**	11,005,882	721,835	11,727,717

At 31 December 2012, the interest bearing amounts due from associates and jointly controlled entities bear variable interest rates ranging from 6.73% to 6.81% (2011: 6.40% to 6.46%) per annum. The interest-free balances due from associates and jointly controlled entities were measured at amortised cost at effective interest rate ranging from 1.12% to 5.84% per annum for the year ended 31 December 2011.

All the non-current amounts due from associates and jointly controlled entities are unsecured and not expected to be repaid within one year after the end of the reporting period.

At the end of the reporting period, the Group has the following amounts due from jointly controlled entities denominated in foreign currencies of the relevant group entities:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Amounts due from jointly controlled entities denominated in:		
HK$	**–**	63
US$	**5,317,039**	7,162,495

24. Amounts due from Subsidiaries

	THE COMPANY					
	2012			2011		
	Interest-free	**Interest bearing**	**Total**	Interest-free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The amounts comprise:						
Unsecured and due one year after the end of reporting period included in non-current assets	**1,110,872**	**–**	**1,110,872**	3,333,610	4,142,203	7,475,813
Unsecured and repayable on demand included in current assets	**48,604,425**	**–**	**48,604,425**	39,621,059	–	39,621,059

Included in the balance are amounts due from subsidiaries of HK$1,110,872,000 (2011: HK$7,475,813,000) expected not to be realised within twelve months from the end of the reporting period and are classified as non-current assets.

For the year ended 31 December 2011, the interest bearing amounts due from subsidiaries were carried fixed interest rates of 1.5% per annum and the non-interest bearing amounts were carried at amortised cost at effective interest rate of 5.0% per annum.

At the end of the reporting period, the Company has amounts due from subsidiaries of HK$75,917,000 (2011: HK$6,596,660,000) denominated in HK$, the foreign currency of the Company.

25. Other Financial Assets and Liabilities

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other Financial Assets				
Instalments receivable	**–**	71	**–**	–
Pledged bank deposits *(Note a)*	**51,436**	17,346	**–**	–
Included in non-current assets	**51,436**	17,417	**–**	–
Other Financial Liabilities				
Financial guarantee contracts due *(Note b)*				
— within one year	**–**	–	**118,296**	38,226
— more than one year, but not exceeding two years	**–**	–	**111,949**	29,359
— more than two years, but not exceeding five years	**–**	–	**207,444**	62,315
— over five years	**–**	–	**158,063**	100,324
	–	–	**595,752**	230,224
Less: Amounts due within one year included in current liabilities	**–**	–	**(118,296)**	(38,226)
	–	–	**477,456**	191,998

Notes:

(a) *The pledged bank deposits represent deposits pledged to banks to secure the mortgage loans granted by banks to the home buyers. The deposits, which carry variable interest rate, ranging from 0.35% to 0.50% (2011: 0.36% to 0.50%) per annum will be released upon the settlement of the relevant mortgage loans.*

(b) *Details of the financial guarantee contracts are set out in note 46.*

26. Inventories

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Raw materials and consumables, at cost	**24,238**	30,682

27. Stock of Properties

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Completed properties	**14,360,341**	16,663,165	**1,351**	1,751
Properties under development *(Note)*	**94,119,533**	78,137,910	**–**	–
Total stock of properties	**108,479,874**	94,801,075	**1,351**	1,751

Note: Included in the amount are properties under development for sale of HK$54,123,056,000 (2011: HK$58,156,436,000) expected not to be realised within twelve months from the end of the reporting period.

28. Land Development Expenditure

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Cost incurred	**3,271,962**	2,670,856

The Group, together with an independent third party, entered into an agreement ("Agreement") with the Beijing local government to jointly redevelop a piece of land 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. It is expected that the land development will be completed and ready for public tenders or auction in 2013. Pursuant to the Agreement, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed return based on fixed percentage of the total costs incurred irrespective of whether the Group will obtain the land use rights of the land in the future. At 31 December 2012, the cost incurred for the land development is HK$3,271,962,000 (2011: HK$2,670,856,000). In January 2013, certain portion of land has been obtained by the Group.

29. 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 aged analysis of trade and other receivables presented at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivable, aged				
0–30 days	**1,518,323**	774,224	**–**	–
31–90 days	**159,060**	289,919	**–**	–
Over 90 days	**316,577**	211,938	**–**	–
	1,993,960	1,276,081	**–**	–
Other receivables	**604,894**	574,004	**11,903**	8,468
	2,598,854	1,850,085	**11,903**	8,468

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 minimal 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 believes that there is no provision required as at the end of the reporting period.

30. Amounts due from Associates/Jointly Controlled Entities/Non-Controlling Interests under Current Assets

The current amounts due from associates, jointly controlled entities and non-controlling interests are unsecured, interest-free and repayable on demand.

At 31 December 2011, except for the unsecured amounts due from jointly controlled entities of approximately HK$12.5 million carrying interest at fixed rate of 6% per annum and repaid in June 2012, the remaining amounts due from jointly controlled entities were unsecured, interest-free and repayable on demand.

31. Bank Balances and Cash

Included in bank balances and cash in the consolidated statement of financial position are restricted bank deposits of HK$1,000,814,000 (2011: HK$1,337,903,000) which can only be applied in the designated property development projects.

The Company has no restricted bank deposits at the end of the reporting period.

All bank deposits of the Group carry interest at market rates which range from 0.01% to 4.20% (2011: 0.01% to 3.10%) per annum.

As at the end of the reporting period, the Group and the Company have the following bank balances and cash denominated in foreign currencies:

	THE GROUP		**THE COMPANY**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash denominated in:				
HK$	**2,477,704**	1,368,850	**1,405,029**	1,273,818
US$	**4,774,120**	409,407	**4,635,863**	343,109

32. Trade and other Payables

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables, aged				
0–30 days	**4,853,870**	6,443,905	**–**	–
31–90 days	**929,074**	403,840	**–**	–
Over 90 days	**5,194,664**	4,911,637	**–**	–
	10,977,608	11,759,382	**–**	–
Other payables	**2,274,325**	2,255,612	**43,874**	44,220
Retentions payable	**3,664,696**	2,363,360	**–**	–
	16,916,629	16,378,354	**43,874**	44,220

Other payables mainly include receipt in advance, other taxes payable and sundry accrued charges.

Of the retentions payable, an amount of approximately HK$1,308 million (2011: approximately HK$1,156 million) is due beyond twelve months from the end of the reporting period.

33. Amounts Due to Fellow Subsidiaries/Associates/Jointly Controlled Entities

The amounts due to a fellow subsidiary, associates and jointly controlled entities of the Group and the Company are unsecured, interest-free and repayable on demand.

34. Amounts due to Subsidiaries

	THE COMPANY	
	2012	2011
	HK$'000	*HK$'000*
The amounts comprise:		
Non-interest bearing, unsecured and repayable on demand included in current liabilities	**3,949,228**	1,051,294
Interest bearing at 5.75% per annum, unsecured and repayable within one year included in current liabilities	**–**	2,494,120
	3,949,228	3,545,414

35. Share Capital

	THE COMPANY			
	2012		2011	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year and at end of the year	**8,172,519**	**817,252**	8,172,519	817,252

35. SHARE CAPITAL (continued)

Share option scheme

The Company's share option scheme (the "**Scheme**") was adopted pursuant to an ordinary resolution passed on 18 July 2002. The Scheme shall be valid and effective for a period of 10 years, after which period no further options will be issued, and thereafter for so long as there are outstanding any unexercised options granted pursuant thereto and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Scheme. The purpose of the scheme is to provide incentives to directors of the Company and eligible employees to contribute further to the Company. The board of directors is authorised to grant options under the Scheme to any full-time employee, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares that can be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the date of approval of the Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each participant must not, within any 12-month period, exceed 1% of the shares of the Company in issue. Any further grant of the options in excess of this 1% limit is subject to shareholders' approval. Each grant of options to any director or a substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates in the 12-month period, would result in the shares issued and to be issued upon exercise of all options representing over 0.1% of the Company's share capital in issue or having an aggregate value in excess of HK$5 million, such further grant of options must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK$1 per each grant of options payable as consideration on acceptance, which is recognised in the statement of comprehensive income when received. An option may be exercised at any time during a period of 9 years commencing on the expiry of one year after the offer date. The subscription price per share is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares on the date of offer; (ii) the average closing price of the shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

On 18 June 2004, 65,140,000 options were granted by the Company at the exercise price of HK$1.13 per share. The vesting and exercisable periods regarding these options are as follows:

Number of options granted	Vesting period	Exercisable period
13,028,000	18 June 2004 to 17 June 2005	18 June 2005 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2006	18 June 2006 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2007	18 June 2007 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2008	18 June 2008 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2009	18 June 2009 to 17 June 2014

The fair value of share options granted is charged to profit or loss on a straight-line basis over the vesting period in accordance with HKFRS 2 "Share-based Payment".

35. SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

The following table discloses details of the Company's share options held by employees and movements in such holdings:

Date of grant	Exercisable period	Adjusted exercise price per share HK$ *(Note)*	Number of shares under options granted: Outstanding at 1 January 2012	Movements during the year Exercised	At 31 December 2012 Outstanding	At 31 December 2012 Exercisable	Closing price of shares at date of exercise HK$
18 June 2004	18 June 2005– 17 June 2014	1.118	2,815,763	–	2,815,763	2,815,763	N/A

Date of grant	Exercisable period	Adjusted exercise price per share HK$ *(Note)*	Number of shares under options granted: Outstanding at 1 January 2011	Movements during the year Exercised	At 31 December 2011 Outstanding	At 31 December 2011 Exercisable	Closing price of shares at date of exercise HK$
18 June 2004	18 June 2005– 17 June 2014	1.118	2,815,763	–	2,815,763	2,815,763	N/A

Note: Following the issue of shares pursuant to the open offer in 2009, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the supplementary guidance issued by the Hong Kong Stock Exchange on 5 September 2005.

Details of the share options held by the directors included in the above table are as follows:

	Number of shares under options granted: Outstanding at 1 January	Movements during the year Exercised	Outstanding at 31 December
2012	**1,359,334**	**–**	**1,359,334**
2011	1,359,334	–	1,359,334

36. Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2011	18,796,072	18,798	519	(29,305)	1,950,717	20,736,801
Profit and total comprehensive income for the year	–	–	–	1,242,849	3,390,902	4,633,751
2010 final dividend paid	–	–	–	–	(1,389,328)	(1,389,328)
2011 interim dividend paid	–	–	–	–	(1,062,428)	(1,062,428)
At 31 December 2011	18,796,072	18,798	519	1,213,544	2,889,863	22,918,796
Profit and total comprehensive income for the year	–	–	–	(30,694)	3,913,647	3,882,953
2011 final dividend paid	–	–	–	–	(1,634,504)	(1,634,504)
2012 interim dividend paid	–	–	–	–	(1,389,328)	(1,389,328)
At 31 December 2012	**18,796,072**	**18,798**	**519**	**1,182,850**	**3,779,678**	**23,777,917**

The Company's reserves available for distribution to shareholders at 31 December 2012 represents the retained profits of approximately HK$3,780 million (2011: approximately HK$2,890 million).

37. Borrowings

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans — unsecured	**37,640,896**	32,595,727	**29,577,255**	23,049,655

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The bank loans are repayable as follows:				
Within one year	**5,545,557**	6,681,866	**4,534,210**	4,006,400
More than one year, but not exceeding two years	**5,037,397**	8,262,136	**2,396,795**	4,536,960
More than two years, but not exceeding five years	**27,057,942**	16,851,725	**22,646,250**	13,706,295
	37,640,896	31,795,727	**29,577,255**	22,249,655
Carrying amount of unsecured bank loan that is repayable within one year and contains a repayable on demand clause	**–**	800,000	**–**	800,000
	37,640,896	32,595,727	**29,577,255**	23,049,655
Total bank loans	**37,640,896**	32,595,727	**29,577,255**	23,049,655
Less: Amounts classified as current liabilities	**(5,545,557)**	(7,481,866)	**(4,534,210)**	(4,806,400)
Amounts classified as non-current liabilities	**32,095,339**	25,113,861	**25,043,045**	18,243,255

37. BORROWINGS *(continued)*

Borrowings of the Group with carrying amount of HK$8,063,641,000 (2011: HK$9,546,072,000) bears interest at a range from 5.85% to 7.30% (2011: 4.37% to 7.04%) per annum and are denominated in Renminbi. Borrowing amounting to HK$500,000,000 (2011: nil), which is denominated in US$, is based on LIBOR plus a specified margin. The remaining borrowings amounting to HK$29,077,255,000 (2011: HK$23,049,655,000), which are denominated in Hong Kong dollars, is based on HIBOR plus a specified margin. The effective interest rate of the Group's borrowings is 2.93% (2011: 1.60%) per annum.

As at the end of the reporting period, the Group and the Company have the following bank loans denominated in foreign currencies:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**29,077,255**	23,049,655	**29,077,255**	23,049,655
US$	**500,000**	–	**500,000**	–

At 31 December 2012, the Group had available undrawn borrowing facilities approximately HK$8,224 million (2011: HK$4,096 million) in respect of which all conditions precedent had been met.

38. GUARANTEED NOTES PAYABLE

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Guaranteed notes payable issued in 2005, listed in Hong Kong *(note a)*	**–**	2,338,416
Guaranteed notes payable issued in 2010, listed in Hong Kong *(note b)*	**7,696,397**	7,689,578
Guaranteed notes payables issued in 2012, listed in Hong Kong *(note c)*	**5,786,510**	–
Guaranteed notes payables issued in 2012, listed in Hong Kong *(note d)*	**5,363,455**	–
Guaranteed notes payables issued in 2012, listed in Hong Kong *(note e)*	**2,301,339**	–
	21,147,701	10,027,994
Less: Amount classified as current liabilities	**–**	(2,338,416)
Amounts classified as non-current liabilities	**21,147,701**	7,689,578

38. Guaranteed Notes Payable *(continued)*

Notes:

(a) In 2005, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$300 million (equivalent to approximately HK$2,340 million) (the "2005 Notes") at the issue price of 99.404%. The 2005 Notes, which bore fixed interest at the rate of 5.75% per annum payable semi-annually, were unconditionally and irrevocably guaranteed by the Company. The 2005 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2005 Notes was mature on 13 July 2012 at the principal amount.

(b) In November 2010, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$1,000 million (equivalent to approximately HK$7,760 million) (the "2010 Notes") at the issue price of 100%. The 2010 Notes, which bear fixed interest at the rate of 5.50% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2010 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2010 Notes will mature on 10 November 2020 at the principal amount. The fair value of the 2010 Notes at 31 December 2012 was estimated at approximately HK$8,733 million (2011: HK$7,443 million), which was determined based on the closing market price of the 2010 Notes at that date.

(c) In February 2012, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$750 million (equivalent to approximately HK$5,836 million) (the "2012 Series A Notes") at the issue price of 99.816%. The 2012 Series A Notes, which bear fixed interest at the rate of 4.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2012 Series A Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2012 Series A Notes will mature on 15 February 2017 at the principal amount. The fair value of the 2012 Series A Notes at 31 December 2012 was estimated at approximately HK$6,294 million, which was determined based on the closing market price of the 2012 Series A Notes at that date.

(d) In November 2012, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$700 million (equivalent to approximately HK$5,430 million) (the "2012 Series B Notes") at the issue price of 99.665%. The 2012 Series B Notes, which bear fixed interest at the rate of 3.95% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2012 Series B Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2012 Series B Notes will mature on 15 November 2022 at the principal amount. The fair value of the 2012 Series B Notes at 31 December 2012 was estimated at approximately HK$5,497 million, which was determined based on the closing market price of the 2012 Series B Notes at that date.

(e) In November 2012, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$300 million (equivalent to approximately HK$2,327 million) (the "2012 Series C Notes") at the issue price of 99.792%. The 2012 Series C Notes, which bear fixed interest at the rate of 5.35% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2012 Series C Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2012 Series C Notes will mature on 15 November 2042 at the principal amount. The fair value of the 2012 Series C Notes at 31 December 2012 was estimated at approximately HK$2,436 million, which was determined based on the closing market price of the 2012 Series C Notes at that date.

39. Amounts due to Non-Controlling Interests

At 31 December 2012, included in the amounts due to non-controlling interests are the amounts of HK$422,442,000 (2011: HK$170,291,000) which carry interest at fixed rate of 8.64% (2011: 8.64%) per annum and HK$402,800,000 (2011: nil) which carry interest at variable rate of 7.20% (2011: nil) per annum. The remaining balances of HK$1,192,607,000 are interest-free. At 31 December 2011, the remaining balance of HK$884,935,000 were interest-free and carried at amortised cost at average effective interest rate of 6.00% per annum, the principal amount was approximately HK$927,724,000. All the amounts due to non-controlling interests are unsecured and repayment will not be demanded within one year from the end of the reporting period.

40. 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)

	THE GROUP						
	Accelerated tax depreciation	Revaluation of properties	Fair value adjustment on properties	Undistributed earnings of PRC subsidiaries and jointly controlled entities	Provision for LAT	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011, as previously reported	42,042	2,450,738	3,642,633	432,889	(1,190,537)	36,491	5,414,256
Prior year adjustments in respect of a change of accounting policy *(note 2)*	–	(828,309)	–	–	–	–	(828,309)
As 1 January 2011, restated	42,042	1,622,429	3,642,633	432,889	(1,190,537)	36,491	4,585,947
Charged (credited) to profit or loss	4,013	571,929	–	(78,090)	(589,959)	(27,680)	(119,787)
Deemed disposal of subsidiaries *(note 41)*	(3,026)	(381,252)	(3,642,633)	–	–	1,084	(4,025,827)
Exchange realignment	–	69,177	–	7,572	(64,428)	–	12,321
At 31 December 2011, as restated	43,029	1,882,283	–	362,371	(1,844,924)	9,895	452,654
Charged (credited) to profit or loss	1,992	736,201	–	6,534	(232,856)	(9,895)	501,976
Exchange realignment	–	(968)	–	(51)	4,128	–	3,109
At 31 December 2012	**45,021**	**2,617,516**	**–**	**368,854**	**(2,073,652)**	**–**	**957,739**

40. DEFERRED TAX *(continued)*

Deferred tax liabilities (assets) *(continued)*

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

	THE GROUP		
	31 December 2012 ***HK$'000***	31 December 2011 *HK$'000* (Restated)	1 January 2011 *HK$'000* (Restated)
Deferred tax assets	**2,073,652**	1,844,924	1,190,537
Deferred tax liabilities	**(3,031,391)**	(2,297,578)	(5,776,484)
	(957,739)	(452,654)	(4,585,947)

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$1,393 million (2011: HK$840 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of approximately HK$5,229 million (2011: HK$6,544 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$697 million (2011: HK$646 million) that will expire within five years from the end of the reporting period. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Company had unused tax losses of approximately HK$272 million (2011: HK$462 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams and may be carried forward indefinitely.

41. Deemed Disposal of Subsidiaries

Year ended 31 December 2011

On 10 February 2011, COGO issued 246,785,579 shares to independent third parties of the Group and accordingly, the Group's effective interest in COGO has been diluted from 50.1% to 37.9%, resulting in the loss of control in COGO, which became an associate of the Company.

The aggregate consolidated net assets of COGO at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	40,214
Investment properties	1,309,549
Interests in jointly controlled entities	483,087
Prepaid lease payments for land	3,543
Other intangible asset	39,870
Inventories	840
Stock of properties	12,575,954
Trade and other receivables	76,752
Deposits and prepayments	1,778,527
Amounts due from jointly controlled entities	123,644
Amounts due from non-controlling interests	11,399
Tax prepaid	14,863
Restricted bank deposits	512,415
Bank balances and cash	2,161,555
Trade and other payables	(1,547,967)
Other deposits	(28,884)
Pre-sale deposits	(1,936,686)
Amount due to a jointly controlled entity	(234)
Tax liabilities	(1,306,294)
Borrowings	(3,162,500)
Derivative financial liability	(1,187,323)
Deferred tax liabilities	(4,025,827)
	5,936,497
Non-controlling interests	(3,128,777)
	2,807,720
The gain on disposal is calculated as follows:	
Fair value of interests in associates	2,853,348
Net assets of subsidiaries disposed of	(2,807,720)
Gain on disposal	45,628
Satisfied by:	
Interests in associates, at fair value	2,853,348
Net Cash outflow arising on disposal:	
Cash and cash equivalents disposed of	2,161,555

41. Deemed Disposal of Subsidiaries *(continued)*

Year ended 31 December 2011 *(continued)*

The fair value of interests in associates was determined by the quoted share price of the shares of COGO held by the Group on 10 February 2011.

During the year ended 31 December 2011, the disposed subsidiaries had contributed operating cash outflow of approximately HK$469,000,000 and financing cash inflow of approximately HK$915,000,000 to the Group. The disposed subsidiaries had insignificant contribution to the Group's revenue and profit.

42. Goodwill

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Carrying amounts	**109,021**	109,021

At the end of the reporting period, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interest in China Overseas Property Management Ltd ("COPM") of HK$44,496,000 and Hua Yi Designing Consultants Limited ("Hua Yi") of HK$64,525,000 acquired during the year ended 31 December 2007 and 31 December 2005, respectively. COPM and its subsidiaries are principally engaged in property management and investment holding while Hua Yi and its subsidiary are principally engaged in the provision of building design consultancy services and investment holding. For the purposes of impairment testing, the attributable amount of goodwill, having an indefinite useful lives, has been allocated to the other operations category in the reporting segment.

At the end of the reporting period, management determines that there is no impairment of goodwill based on the profitability of each of these two cash generating units to which the goodwill relates.

43. Other Intangible Asset

	Shopping mall operating right HK$'000
THE GROUP	
COST	
At 1 January 2011	43,926
Deemed disposal of subsidiaries *(note 41)*	(43,926)
At 31 December 2011	–
AMORTISATION	
At 1 January 2011	4,056
Deemed disposal of subsidiaries *(note 41)*	(4,056)
At 31 December 2011	–
CARRYING VALUE	
At 31 December 2011	–

The shopping mall operating right was amortised over 10 years on a straight-line basis based on the estimated remaining useful life of the shopping mall.

44. Operating Lease Commitment

The Group as lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of approximately HK$16,059 million (2011: HK$12,930 million) and approximately HK$41 million (2011: HK$75 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK$585 million (2011: HK$359 million), of which approximately HK$576 million (2011: HK$351 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to eighteen years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**700,660**	485,783
In the second to fifth year inclusive	**1,102,794**	711,579
After five years	**67,839**	116,353
	1,871,293	1,313,715

The Group as lessee

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**47,611**	61,803
In the second to fifth year inclusive	**48,114**	43,144
After five years	**2,566**	3,237
	98,291	108,184

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.

44. Operating Lease Commitment (continued)

The Company as lessee

At the end of the reporting period, the Company had commitment for future minimum lease payments under non-cancellable operating leases which fall due:

	THE COMPANY	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**25,178**	30,184
In the second to fifth year inclusive	**25,403**	10,487
	50,581	40,671

45. Capital Commitment

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

(a) Capital expenditure in respect of investment properties:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
— Authorised but not contracted for	**15,024,262**	11,861,883
— Contracted but not provided for	**303,144**	192,570
	15,327,406	12,054,453

(b) The Group has committed to contribute US$40 million (2011: US$40 million) in relation to the establishment and management of an investment fund, Harmony China Real Estate Fund II, L.P., the jointly controlled entity of the Group.

The Company had no significant capital commitment at the end of the reporting period.

46. Contingent Liabilities

At the end of the reporting period, there were contingent liabilities as follows:

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries				
— Maximum	**–**	–	**7,670,301**	6,439,146
— Utilised	**–**	–	**7,578,887**	6,199,136
Jointly controlled entities				
— Maximum	**1,307,351**	1,751,573	**1,307,351**	620,106
— Utilised	**1,092,748**	1,231,035	**1,092,748**	475,786

(b) The Group provided guarantees amounted to approximately HK$11,058 million (2011: HK$6,521 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(c) As disclosed in note 38, the Company also provided guarantee amounted to approximately HK$21,148 million (2011: HK$10,028 million) in respect of the guaranteed notes issued by subsidiaries of the Company.

Other than the guarantee provided by the Company as mentioned in item (a) and (c), 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.

47. Related Party Transactions

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

Nature of transaction	Notes	**2012** **HK$'000**	2011 HK$'000
Fellow subsidiaries			
Property development project construction fee	(a)	**659,617**	1,060,639
Rental income	(b)	**12,621**	10,417
Insurance fee	(c)	**2,247**	1,596
Security income	(c)	**23,153**	22,173
Heating pipes connection service cost	(c)	**–**	24,434
Associates			
Interest income	(d)	**12,336**	12,336
Royalty income	(e)	**96,841**	51,743
Rental expense	(b)	**15,329**	6,266
Property management income	(f)	**10,436**	4,381
Jointly controlled entities			
Interest income	(d)	**47,260**	333,158
Property development project construction income	(a)	**696,279**	–

Notes:

(a) Property development project construction fee/income were charged by in accordance with respective contracts.

(b) Rental income and expenses are charged in accordance with respective tenancy agreements.

(c) Insurance fee, security income and heating pipes connection service cost is charged in accordance with respective contracts.

(d) Interest income is charged at interest rates as specified in note 23 on the outstanding amounts.

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

(f) Property management income is charged at rates in accordance with respective contracts.

47. Related Party Transactions *(continued)*

(b) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2012 **HK$'000**	2011 HK$'000
Short-term benefits	**109,575**	101,853
Mandatory Provident Fund contribution	**55**	48
	109,630	101,901

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

	2012 **Number of person**	2011 Number of person
HK$1,000,000 to HK$2,500,000	**1**	3
HK$2,500,000 to HK$5,000,000	**1**	5
HK$5,000,000 to HK$7,500,000	**7**	4
HK$7,500,000 to HK$10,000,000	**1**	–
	10	12

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

(d) 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 business with them are concerned.

47. Related Party Transactions *(continued)*

(d) Transactions with other state-controlled entities in the PRC *(continued)*

In connection with their property development activities, the Group awarded 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 Note (a) above and the acquisition of land from the government departments or agencies which are mainly attributable to the Group's cost of sales, the directors of the Company consider that the other transactions with those state-controlled entities are not significant 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 are of the opinion that the transactions with state-controlled entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and notes 23, 30, 33 and 39. The details of the Company's amounts due from and to related parties are disclosed in the Company's statement of financial position and notes 24, 33 and 34.

48. Particulars of Principal Subsidiaries

The following are the particulars of the principal subsidiaries at 31 December 2012 which, in the opinion of the directors of the Company, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would 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		Principal activities
		Directly	Indirectly	
		%	%	
Advocate Properties Limited	100,000 shares of HK$1 each	–	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	–	100	Property investment
China Overseas Building Management Limited	100 shares of HK$1 each	–	100	Real estate management
China Overseas Finance (Cayman) I Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) II Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) IV Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) V Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Property Agency Limited	2 shares of HK$1 each	–	100	Real estate agency
China Overseas Property Limited	100 shares of HK$10 each	100	–	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	–	100	Investment holding
China Overseas Property Investment Limited	10,000 shares of HK$1 each	–	100	Property investment
China Overseas Property Services Limited	10 shares of HK$10 each	–	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited(i)	1 share of US$1	100	–	Investment holding
China Overseas Security Services Limited	2 shares of HK$1 each	–	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	–	100	Investment holding
China Super Group Limited(i)	1 share of US$1	–	100	Investment holding
Chinatone Industrial Limited	1 share of HK$1	–	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	–	Loan financing, investment holding and security investments
Classic China Products Limited	10,000 shares of HK$100 each	–	100	Investment holding
Goodrich Company Limited(vii)	MOP25,000	–	100	Property development

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Elite Way International Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Entrepot Limited	100 shares of HK$1 each	–	100	Property development
Further Good Development Limited	100 shares of HK$1 each	–	100	Property trading
Grand Shine Development Limited	1 share of HK$1	100	–	Investment holding
Gain Direct Limited(i)	1 share of US$1	–	100	Investment holding
Gain Regent Company Limited	2 shares of HK$1 each	–	100	Property development
Gold Jade International Holdings Limited	1 share of HK$1	–	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	–	100	Property development, trading and investment
Great Sky Property Investment Company Limited(vii)	MOP25,000	–	100	Property development
Great Trend Investment Limited	10,000 shares of HK$1 each	–	100	Investment holding
Hainan Ruler Limited(i)	1 share of US$1	100	–	Investment holding
Hua Yi Design Consultants Limited	1,000,000 shares of HK$1 each	100	–	Design consultancy services and investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited(vii)	MOP1,000,000	–	100	Property development
Kee Yet Company Limited	2 shares of HK$1 each	–	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	–	100	Investment holding
Macfull Limited	1,000 shares of HK$1 each	–	60	Property development
Macwan Limited	10 shares of HK$1 each	–	70	Property development
Macyat Limited	10,000 shares of HK$1 each	–	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	–	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	–	100	Property development
Mepork Services Limited	100 shares of HK$1 each	–	100	Provision of building cleaning, maintenance and security services
Ocean Group Limited	2 shares of HK$1 each	–	100	Property investment
Omar Property Development Company Limited(vii)	MOP26,000	–	85	Property development
On Success Development Limited	10,000 shares of HK$1 each	–	100	Property investment

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Peak Top Enterprises Limited(i)	1 share of US$1	–	100	Investment holding
Proud Sea International Limited(i)	10 shares of US$1 each	90	–	Investment holding
Right Max Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Seawave Company Ltd(i)	1 share of US$1	–	100	Investment holding
Splendid Return Limited(i)	50,000 shares of US$1 each	–	100	Investment holding
Total Wonder Limited(i)	1 share of US$1	–	100	Investment holding
Treasure Trinity Limited(i)	1 share of US$1	–	100	Investment holding
Wealth Faith Developments Limited(i)	1 share of US$1	–	100	Investment holding
Wealth Join Development Limited	1 share of HK$1 each	–	100	Property development
Widenews Company Limited ("Widenews")	2 shares of HK$1 each(iii)	–	100	Property development and investment holding
Winwhole Development Limited	100 shares of HK$1 each	–	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	–	100	Investment holding
Yorkley Group Limited	100 shares of HK$1 each	–	100	Investment holding
中海發展(上海)有限公司(ii)	US$17,000,000	–	100	Property development and trading
中海地產諮詢(上海)有限公司(ii)	US$500,000	–	100	Real estate agency and investment holding
上海萬和房地產有限公司(iv)	US$43,340,000	–	95	Property development
上海新海匯房產有限公司(iv)	US$40,000,000	–	99.5	Property development
上海中海房地產有限公司(v)	RMB10,000,000	–	100	Property development
上海錦港房地產發展有限公司(v)	RMB20,000,000	–	100	Property development
上海中海海怡房地產有限公司(v)	RMB20,000,000	–	100	Property development
大連中海地產有限公司(v)	RMB20,000,000	–	100	Property development
大連中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
中海東豐地產(大連)有限公司(ii)	RMB880,000,000	–	100	Property development
中海新海匯(大連)置業有限公司(v)	RMB20,000,000	–	100	Property development
中山市中海房地產開發有限公司(v)	RMB10,000,000	–	100	Property development

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中海興業(西安)有限公司 (ii)	US$60,000,000	–	100	Property development
中海鼎盛(西安)房地產有限公司 (ii)	RMB1,256,000,000	–	100	Property development
中海發展(蘇州)有限公司 (ii)	US$250,000,000	–	100	Property development
中海地產(蘇州)有限公司 (ii)	US$50,000,000	–	100	Property development
中海英奧置業(蘇州)有限公司 (ii)	US$99,000,000	–	100	Property development
中海海盛(蘇州)房地產有限公司 (v)	RMB30,000,000	–	100	Property development
中海興業(寧波)有限公司 (ii)	US$33,000,000	–	100	Property development
天津中海嘉業投資有限公司 (v)	RMB30,000,000	–	100	Property development
天津中海興業房地產開發有限公司 (v)	RMB30,000,000	–	100	Property development
天津中海地產有限公司 (v)	RMB30,000,000	–	100	Property development
北京中海地產有限公司 (v)	RMB50,000,000	–	100	Property development
北京中海豪庭房地產開發有限公司 (v)	RMB10,000,000	–	100	Property development
北京中海豪峰房地產開發有限公司 (v)	RMB50,000,000	–	100	Property development
北京中海廣場置業有限公司 (v)	RMB30,000,000	–	100	Property development
北京中海海洋花園房地產開發有限公司 (iv)	US$11,920,000	–	72	Property development
北京嘉益德房地產開發有限公司 (v)	RMB50,000,000	–	100	Property development
北京古城興業置業有限公司 (v)	RMB50,000,000	–	70	Property development
北京中海豪景房地產開發有限公司 (v)	RMB20,000,000	–	100	Property development
北京鑫景通達置業有限公司 (v)	RMB10,000,000	–	100	Property development
北京世紀順龍房地產開發有限公司 (v)	RMB30,000,000	–	51	Property development
中海興業(成都)發展有限公司 (ii)	US$99,000,000	–	100	Property development
中海信和(成都)物業發展有限公司 (ii)	HK$420,000,000	–	80	Property development
中海振興(成都)物業發展有限公司 (ii)	US$89,800,000	–	100	Property development
成都中海鼎盛房地產開發有限公司 (v)	RMB50,000,000	–	100	Property development
鉅星(成都)商務服務有限公司 (ii)	RMB68,000,000	–	100	Property development
中海地產(佛山)有限公司 (ii)	RMB1,100,000,000	–	100	Property development
佛山市中海興業房地產開發有限公司 (ii)	US$50,000,000	–	100	Property development
佛山中海千燈湖房地產開發有限公司 (v)	RMB20,000,000	–	100	Property development

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
瀋陽中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
瀋陽中海新海匯置業有限公司(v)	RMB20,000,000	–	100	Property development
杭州中海房地產有限公司(iii)	US$99,800,000	100	–	Property development
中海發展(杭州)有限公司(iii)	US$49,800,000	–	100	Property development
中海地產(杭州)有限公司(iv)	US$99,800,000	74.5	25.5	Property development
杭州中海宏鯤房地產有限公司(v)	RMB50,000,000	–	100	Property development
長沙中海興業房地產有限公司(iii)	RMB662,000,000	–	100	Property development
長春中海地產有限公司(iv)	RMB100,000,000	–	100	Property development
長春海華房地產開發有限公司(iii)	US$49,800,000	–	100	Property development
長春海悦房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
長春海成房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
青島中海興業房地產有限公司(v)	RMB10,000,000	–	100	Property development
青島中海鼎業房地產有限公司(v)	RMB10,000,000	–	100	Property development
青島中海嘉業房地產有限公司(v)	RMB10,000,000	–	100	Property development
青島中海華業房地產有限公司(iii)	RMB3,430,000,000	–	100	Property development
南京中海地產有限公司(v)	RMB20,000,000	–	100	Property development
南京海潤房地產開發有限公司(iv)	US$50,000,000	–	100	Property development
南京中海海浦房地產有限公司(v)	RMB30,000,000	–	100	Property development
南昌中海地產有限公司(v)	RMB20,000,000	–	100	Property development
中海地產重慶有限公司(v)	RMB670,000,000	–	100	Property development
重慶中工建設有限公司(v)	RMB50,000,000	–	100	Property development
香港華藝設計顧問(深圳)有限公司(iii)	RMB12,000,000	–	100	Design consultancy services
北京中海華藝城市規劃設計有限公司(v)	RMB1,000,000	–	90	Design consultancy services
中海地產(珠海)有限公司(iii)	RMB405,000,000	–	100	Property development
珠海市嘉業房地產開發有限公司 (前稱：珠海市志趣諮詢服務有限公司)(v)	RMB20,000,000	–	100	Property development
珠海市永福通諮詢服務有限公司(v)	RMB20,000,000	–	100	Property development
廣逸房地產開發(珠海)有限公司(iv)	HK$1,200,000,000	–	100	Property development
珠海市海利達諮詢服務有限公司(v)	RMB100,000	–	100	Property development
珠海市啟光諮詢服務有限公司(v)	RMB100,000	–	100	Property development
珠海經濟特區卓運房產有限公司(v)	RMB10,000,000	–	100	Property development
中海地產集團有限公司(iii)	RMB10,000,000,000	–	100	Property development, trading and investment and investment holding
深圳中海地產有限公司(iv)	HK$50,000,000	–	100	Property development
深圳市中海海景山莊物業發展有限公司(v)	RMB10,000,000	–	60	Property development
深圳市中海日輝台物業發展有限公司(v)	RMB41,791,108	–	100	Property development
中海寶松物業發展(深圳)有限公司(iii)	HK$262,500,000	–	100	Property development

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
深圳市中海光大房地產開發有限公司(v)	RMB50,000,000	–	78	Property development
深圳市龍富房地產開發有限公司(v)	RMB150,000,000	–	100	Property development
深圳市斯特沃德酒店管理有限公司(v)	RMB5,000,000	–	100	Hotel management
廈門中海地產有限公司(v)	RMB20,000,000	–	100	Property development
廈門海合美地產有限公司(v)	RMB10,000,000	–	51	Property development
昆明中海房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
雲南中海城投房地產開發有限公司(v)	RMB10,000,000	–	65	Property development
煙臺中海地產有限公司(v)	RMB10,000,000	–	100	Property development
中海發展(廣州)有限公司(ii)	US$21,000,000	–	100	Investment holding, property development, building construction and project management
廣州中海名都房地產發展有限公司(ii)	RMB400,000,000	–	100	Property development
廣州中海地產有限公司(v)	RMB100,000,000	–	100	Property development
廣州良寶房地產投資諮詢有限公司(ii)	RMB1,000,000	–	100	Property development
廣州廣奧房地產發展有限公司(v)	RMB10,000,000	–	100	Property development
廣州毅源房地產開發有限公司(v)	RMB10,000,000	–	90	Property development
廣州世佳房地產開發有限公司(v)	RMB10,000,000	–	90	Property development
濟南中海地產有限公司(ii)	US$98,000,000	–	100	Property development
濟南中海地產投資有限公司(v)	RMB50,000,000	–	100	Property development
上海中海物業管理有限公司(ii)	US$610,000	–	100	Real estate management
深圳市中海電梯工程有限公司(v)	RMB5,000,000	–	100	Real estate management
深圳市中海樓宇科技有限公司(v)	RMB5,000,000	–	100	Real estate management
深圳市中海社區環境工程有限公司(v)	RMB2,000,000	–	100	Real estate management
北京中海物業管理有限公司(v)	RMB5,000,000	–	100	Real estate management
成都中海物業管理有限公司(v)	RMB3,000,000	–	100	Real estate management
長春中海物業管理有限公司(v)	RMB1,000,000	–	100	Real estate management
中海物業管理廣州有限公司(v)	RMB15,800,000	–	100	Investment holding and real estate management

(i) Incorporated in the British Virgin Islands
(ii) Foreign investment enterprise registered in the PRC
(iii) Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.
(iv) Sino-foreign joint venture registered in the PRC
(v) Limited liability company registered in the PRC
(vi) Incorporated in the Cayman Islands
(vii) Incorporated in Macau

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) IV Limited and China Overseas Finance (Cayman) V Limited, which have issued US$1,000,000,000, US$750,000,000 and US$1,000,000,000 guaranteed notes payable, respectively (note 38), none of which were held by the Group.

(A) Consolidated Results

	For the year ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Turnover	19,835,784	39,277,758	46,650,024	51,332,302	**64,580,694**
Operating profit	8,764,462	12,259,248	18,913,841	23,388,338	**27,070,329**
Gain on bargain purchases	–	–	905,718	–	**–**
Gain on deemed disposal of subsidiaries	–	–	–	45,628	**–**
Gain on disposal of subsidiaries	276,350	–	601,085	–	**–**
Gain on disposal of a jointly controlled entity	–	–	272,918	–	**–**
Share of (losses) profits of					
Associates	(10,982)	3,683	17,750	202,838	**339,515**
Jointly controlled entities	(26,848)	19,238	317,196	719,260	**2,297,976**
Finance costs	(417,682)	(228,414)	(461,264)	(590,763)	**(285,602)**
Profit before tax	8,585,300	12,053,755	20,567,244	23,765,301	**29,422,218**
Income tax expenses	(3,371,930)	(4,272,571)	(7,599,724)	(8,207,115)	**(10,589,747)**
Profit for the year	5,213,370	7,781,184	12,967,520	15,558,186	**18,832,471**
Attributable to:					
Owners of the Company	5,189,725	7,646,049	12,671,244	15,464,098	**18,722,221**
Non-controlling interests	23,645	135,135	296,276	94,088	**110,250**
	5,213,370	7,781,184	12,967,520	15,558,186	**18,832,471**

(B) Consolidated Net Assets

	At 31 December				
	2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	**2012 HK$'000**
Non-current assets					
Investment properties	6,428,067	7,747,599	14,053,675	17,765,372	**23,657,327**
Property, plant and equipment	280,967	253,823	319,388	337,635	**975,862**
Prepaid lease payments for land	58,204	47,409	35,984	68,591	**161,996**
Interests in associates	164,581	180,600	210,497	3,340,454	**3,612,633**
Interests in jointly controlled entities	1,947,655	2,558,944	11,323,863	12,668,593	**13,579,848**
Investments in syndicated property project companies	18,654	20,971	22,867	22,776	**18,369**
Amounts due from associates	90,108	87,424	42,156	88,793	**–**
Amounts due from jointly controlled entities	4,071,170	9,172,006	8,981,367	11,727,717	**5,317,039**
Amounts due from syndicated property project companies	1,056	436	154	–	**–**
Other financial assets	42,443	30,161	23,726	17,417	**51,436**
Goodwill	109,021	109,021	109,021	109,021	**109,021**
Other intangible asset	–	–	39,870	–	**–**
Deferred tax assets	485,090	650,791	1,190,537	1,844,924	**2,073,652**
	13,697,016	20,859,185	36,353,105	47,991,293	**49,557,183**
Current assets	71,879,425	93,258,208	125,895,296	127,984,130	**180,267,505**
Total assets	85,576,441	114,117,393	162,248,401	175,975,423	**229,824,688**
Non-current liabilities					
Borrowings — due after one year	(18,320,005)	(14,369,870)	(24,305,704)	(25,113,861)	**(32,095,339)**
Guaranteed notes payable	(2,329,431)	(2,332,426)	(10,018,179)	(7,689,578)	**(21,147,701)**
Amounts due to non-controlling interests	(850,983)	(820,310)	(791,904)	(1,055,226)	**(2,017,849)**
Derivative financial liability	–	–	(1,187,323)	–	**–**
Deferred tax liabilities	(913,004)	(1,470,351)	(5,776,484)	(2,297,578)	**(3,031,391)**
	(22,413,423)	(18,992,957)	(42,079,594)	(36,156,243)	**(58,292,280)**
Current liabilities	(29,935,758)	(52,794,812)	(61,398,357)	(67,929,182)	**(83,975,452)**
Total liabilities	(52,349,181)	(71,787,769)	(103,477,951)	(104,085,425)	**(142,267,732)**
Net assets	33,227,260	42,329,624	58,770,450	71,889,998	**87,556,956**
Equity attributable to:					
Owners of the Company	33,562,654	42,613,065	55,563,199	71,616,983	**87,244,139**
Non-controlling interests	(335,394)	(283,441)	3,207,251	273,015	**312,817**
	33,227,260	42,329,624	58,770,450	71,889,998	**87,556,956**

China Overseas Land & Investment Ltd.

10/F, Three Pacific Place, 1 Queen's Road East, Hong Kong
Tel: 2823 7888 Fax: 2865 5939

www.coli.com.hk