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

STOCK CODE : 00688

A Trusted Brand Growing Through Diligence and Care

ANNUAL REPORT

2013

Contents

Board of Directors and Committees

CHAIRMAN

Hao Jian Min *Chairman and Chief Executive Officer*

EXECUTIVE DIRECTORS

Xiao Xiao *Vice Chairman*
Chen Yi
Luo Liang
Nip Yun Wing
Guo Yong
Kan Hongbo

NON-EXECUTIVE DIRECTOR

Zheng Xuexuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Kwong Siu
Wong Ying Ho, Kennedy
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

Li Man Bun, Brian David*
Lam Kwong Siu
Wong Ying Ho, Kennedy
Fan Hsu Lai Tai, Rita

REMUNERATION COMMITTEE

Wong Ying Ho, Kennedy*
Lam Kwong Siu
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

NOMINATION COMMITTEE

Fan Hsu Lai Tai, Rita*
Lam Kwong Siu
Wong Ying Ho, Kennedy
Li Man Bun, Brian David

* *Committee Chairman*

Corporate Information

REGISTERED OFFICE

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2823 7888
Facsimile : (852) 2865 5939
Website : www.coli.com.hk

COMPANY SECRETARY

Keith Cheung, Solicitor

REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

INVESTOR RELATIONS

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

PUBLIC RELATIONS

Corporate Communications Department
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Facsimile : (852) 2529 9211
E-mail : coli.pr@cohl.com

LEGAL ADVISOR

Mayer Brown JSM

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS (In Alphabetical Order)

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

Shareholders' Information and Financial Calendar

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 5	:	China OVS N1810 Code: 5987	EJ9002563	XS0984184316
Note 6	:	China OVS N2310 Code: 5988	EJ9002621	XS0972980097
Note 7	:	China OVS N4310 Code: 5989	EJ9002803	XS0985567881

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

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

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

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

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

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

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

FINANCIAL CALENDAR

Interim results announcement	:	5 August 2013
Interim dividend paid	:	9 September 2013
Final results announcement	:	13 March 2014
Share register closed for Annual General Meeting	:	23 May 2014 to 26 May 2014 *(both days inclusive)*
Annual General Meeting	:	26 May 2014
Share register closed for Final dividend	:	13 June 2014
Final dividend payable	:	3 July 2014

Corporate Structure

^ *Business operating in Mainland China, Hong Kong and Macau.*

* Property development in 42 major cities in mainland China, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Shenyang, Chongqing, Changchun, Changsha, Chengdu, Dalian, Foshan, Fuzhou, Harbin, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Suzhou, Qingdao, Tianjin, Wuhan, Wuxi, Xi'an, Xiamen, Yantai, Zhongshan, Zhuhai, Changzhou[#], Guilin[#], Ganzhou[#], Jilin[#], Hefei[#], Hohhot[#], Lanzhou[#], Nanning[#], Nantong[#], Shaoxing[#], Yancheng[#], Yangzhou[#], Yinchuan[#] as well as in Hong Kong and Macau.

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

Financial Highlights

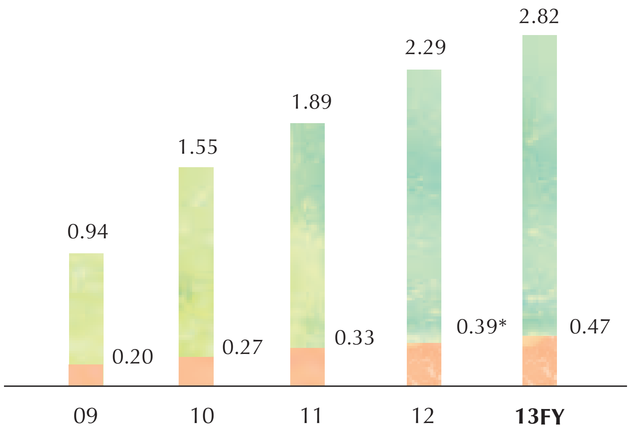
For the year ended 31 December	2013	2012	Change (%)
Financial Highlights *(HK$ billion)*			
Turnover	**82.47**	64.58	+28
Profit attributable to equity shareholders of the Company	**23.04**	18.72	+23
Sales of properties	**138.52**	111.52	+24
Financial Ratios			
Net debt to shareholders' funds *(%)* [3]	**28**	21	+7[1]
Interest cover *(times)*	**12**	15	–3[2]
Dividend payout *(%)*	**17**	18	–1[1]
Financial Information per Share *(HK$)*			
Earnings	**2.82**	2.29	+23
Dividends	**0.47**	0.39[4]	+21
— Interim dividend	**0.18**	0.15	+20
— Final dividend	**0.29**	0.24	+21
Equity attributable to equity shareholders of the Company	**13.46**	10.68	+26
Land Reserves *(million sq m)*			
Development land bank[3]	**38.77**	35.10	+10

Notes: [1] *Change in percentage points*
[2] *Change in number of times*
[3] *These are year end figures*
[4] *Excluding the special dividend of HK2 cents per share paid in 2012*

Financial Highlights (continued)

EARNINGS AND DIVIDENDS PER SHARE

HK$



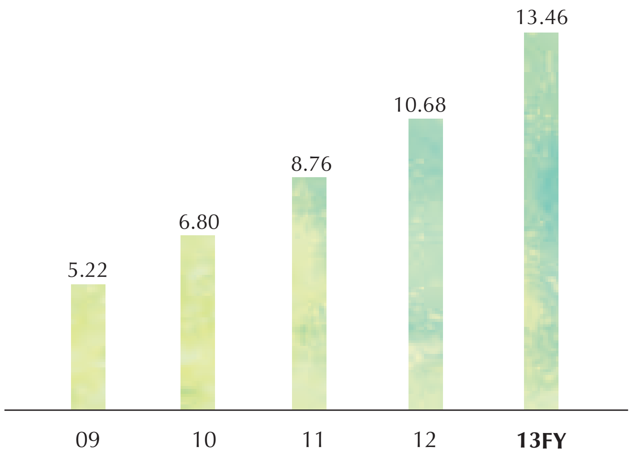
Earnings

Dividends

* Excluding the special dividend of HK2 cents per share paid in 2012

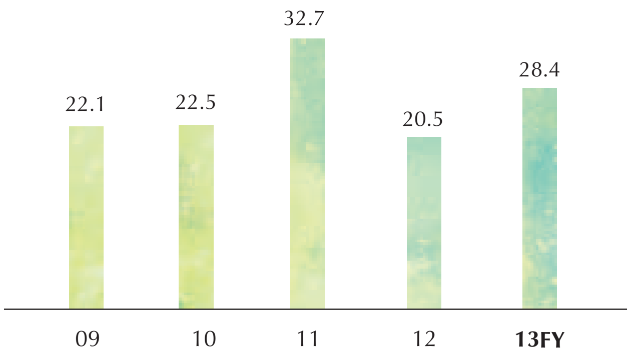
SHAREHOLDERS' FUND PER SHARE

HK$



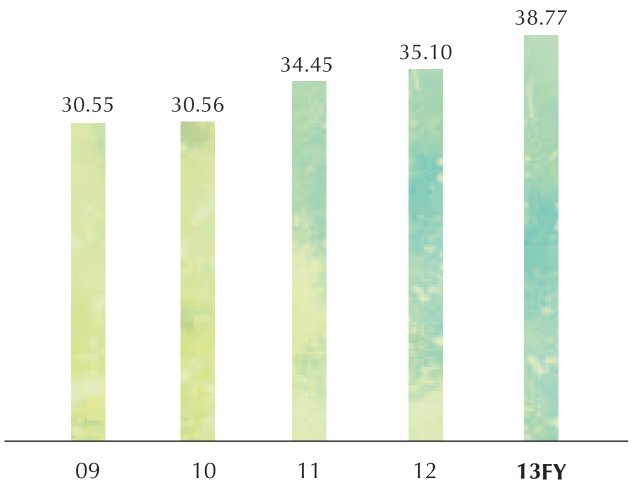
NET DEBT TO SHAREHOLDERS' FUNDS

%



LAND RESERVES

million sq m



Group Financial Summary

KEY FINANCIAL INFORMATION AND RATIOS

Financial Year	2009 *HK$*	2010 *HK$*	2011 *HK$*	2012 *HK$*	**2013** ***HK$***
Earnings per share	0.94	1.55	1.89	2.29	**2.82**
Dividends per share	0.20	0.27	0.33	0.39*	**0.47**
— Interim dividend	0.07	0.10	0.13	0.15	**0.18**
— Final dividend	0.13	0.17	0.20	0.24	**0.29**
Equity attributable to equity shareholders per share	5.22	6.80	8.76	10.68	**13.46**
Net debt to shareholders' funds (%)	22.1	22.5	32.7	20.5	**28.4**
Net debt / Shareholders' funds					
Interest cover (times)					
Operating profit – Total interest income / Interest expense**	15	16	16	15	**12**

KEY PROFIT AND LOSS ITEMS

For the year ended 31 December	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Turnover	39,277,758	46,650,024	51,332,302	64,580,694	**82,469,081**
Operating profit	12,259,248	18,913,841	23,388,338	27,070,329	**28,347,553**
Profit attributable to equity shareholders	7,646,049	12,671,244	15,464,098	18,722,221	**23,043,712**

KEY STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Fixed assets#	8,001,422	14,373,063	18,103,007	24,633,189	**33,902,857**
Long-term investments	2,760,515	11,557,227	16,031,823	17,210,850	**15,949,402**
Other non-current assets	10,097,248	10,422,815	13,856,463	7,713,144	**5,454,574**
Net current assets	40,463,396	64,496,939	60,054,948	96,292,053	**130,287,809**
Non-current liabilities	(18,992,957)	(42,079,594)	(36,156,243)	(58,292,280)	**(74,544,246)**
Net assets	42,329,624	58,770,450	71,889,998	87,556,956	**111,050,396**

* *Excluding the special dividend of HK2 cents per share paid in 2012.*

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

Representing investment properties and property, plant and equipment.

Business Milestones

19 FEBRUARY

The Company was awarded BBB+/Stable investment credit rating by Fitch Ratings upon the first rating. In April, the investment credit rating of the Company issued by Moody's was upgraded to Baa1/Stable while that of Standard & Poor's was upgraded to BBB+/Stable, which are the highest ratings in the industry. The Group's high profitability and financial control ability relative to its peers have been highly recognised, reflecting the Group's market-leading status in China's property market.

25 MAY

The apartments and villas of Lohas Island in Suzhou were launched for sale at the same time and RMB980 million were sold within 3 hours. In 2013, 1,242 units for this project were sold for RMB2.1 billion. No. 8 Mansion was launched for sale in June and September, 1,847 units were sold for RMB2.34 billion in 2013.

1 JUNE

China Overseas Property Club ("COPC") organised three centrally organised nationwide activities, these activities have been hugely successful, they are "Lohas Sports Season" in June, "China Overseas Experience Camp for Children of Property Owners" in August and "Happiness Talent Show" in October. Over 10,000 property owners from more than 100 communities in over 20 regional companies were enrolled in these activities.

COPC has established branches in more than 30 mainland cities with approximately 300,000 members. COPC organizes a range of social, charity, leisure and entertainment and sports activities to enrich living experience; expands its business alliance network and provide value-added services such as special offers and group purchases for property owners.

"China Overseas Property" was acknowledged as the "Leading Brands of China Real Estate Companies" for the 10th consecutive year

The 11th "Sons of the Sea Pilot Training Class"

The Group was affirmed by numerous authorization property industry research institutions, highlighting its leading position in the industry

COPC has established branches in more than 30 mainland cities with approximately 300,000 members

Business Milestones (continued)

Jinan Unipark, the Group's first shopping mall was opened in September

Remarkable sales volume of RMB2.26 billion recorded in the first selling day of the Amethyst, Shanghai

China Overseas Majin Hope School, the 8th Hope School donated by the Group

5 JUNE

The Group acquired two land parcels at the former Kai Tak Airport for commercial/residential development under the "Hong Kong Property for Hong Kong People" measure at a consideration of HK$4.54 billion. With land areas of 7,771 sq m and 8,585 sq m, respectively, and a plot ratio of 5, the projects will provide a total gross floor area ("GFA") of 81,780 sq m. For each project, the Group planned to build 2 blocks of residential buildings with 32 storeys, 6–7 blocks with 5 storeys and underground car parks, providing 558 and 634 residential units respectively, to be sold only to permanent residents of Hong Kong.

The "Hong Kong Property for Hong Kong People" projects are located next to Kai Tak Station of the future MTR Shatin to Central Link, scheduled for completion in 2018. With district landmarks such as the Cruise Terminal, Kai Tak Sports City, Metro Park and Harbour-front Promenade, Kai Tak holds out enormous potential for development into a new core business district underpinning Hong Kong's continuous operation as an international financial, trade and shipping centre.

20 JUNE

The Company was granted by Corporate Governance Asia "The 9th Corporate Governance Asia Recognition Awards 2013". On 26 June, the Company has been voted for number one of "China Blue Chip Real Estate Developer" by Economic Observer for ten years in a row. The Group's ability in capital operations, its excellent standards in corporate governance and the high quality of the products have won wide acclaim among industry and the media. In September, "China Overseas Property" was acknowledged as the "Leading Brands of China Real Estate Companies" for the 10th consecutive year, ranking first in the property sector with a brand value of RMB29.77 billion. The brand value of the Group has been affirmed by numerous authoritative property industry research institutions, highlighting its leading position in the industry in terms of branding advantage, product strengths and quality of service.

Business Milestones (continued)

3 AUGUST

The 11th "Sons of the Sea Pilot Training Class" was held in Shenzhen. More than 350 "Sons of the Sea" recruited across the nation participated in a range of training activities in the "Sons of the Sea Commencement Session" under the theme of "New Age, New Generation, New Journey" to acquire an in-depth understanding of corporate culture on the basis of self-organisation, self-management and self-service. The Group ensured sufficient supply of high-calibre personnel to support its rapid business development as it continued to enrich "Sons of the Sea" and "Sea's Recruits," its two human resource brands, by consolidating and improving its dual approach of recruitment from university campuses and the society.

10 SEPTEMBER

China Overseas Majin Hope School, located at Majin Town, Kaihua County, Quzhou City, Zhejiang Province, was completed and commenced for use. With a total site area of 12,084 sq m and total GFA of 5,656 sq m, the school will have 24 classes. This is the 8th Hope School donated by the Group in Mainland China and currently there is one more Hope School under construction.

21 SEPTEMBER

The Amethyst in Shanghai was launched for sale, over 80% or 173 were sold out of 210 units, with sales of RMB2.26 billion on the first day, a new sales record for Shanghai residential market and topped local property sales chart since 2011. Moreover, Majestic City, another project of Shanghai Company launched for sale on 15 September with daily sales of over RMB800 million. As a result, Shanghai Company reported sales over RMB3.0 billion in a single week.

28 SEPTEMBER

Glorious City Phase II in Foshan was launched for sales and 596 units were sold for about RMB670 million. Units with panoramic views in Glorious City Phase II were launched for sale in December, 87.7% or about 213 units were sold for approximately RMB330 million. The two launches of the sales have further testified the value of Glorious City and reinforced its position as the best-selling property project in Foshan, effectively enhancing the brand's reputation and influence.

29 SEPTEMBER

Jinan Unipark, the Group's first shopping mall was opened. Since then, an average daily customer flow of over 65,000 and average daily turnover of RMB2 million have been reported. With a total GFA of 60,000 sq m, Jinan Unipark is dedicated to provide one-stop shopping experience for the citizens. In the coming 3 to 5 years ahead, an aggregate GFA of 330,000 sq m are expected to be added to investment properties as Uniparks in Shenyang, Nanjing and Zhuhai become operational.

23 OCTOBER

The Group worked with 6 leading international investment banks to issue US$1.5 billion bonds with three maturity profiles: US$500 million with a 5-year term at a coupon rate of 3.375%, US$500 million with a 10-year term at a coupon rate of 5.375% and US$500 million with a 30-year term at a coupon rate of 6.375%. With a substantial level of oversubscription, the issue also further improved the Group's debt maturity profile and will provide strong support for the Company's stable development in the long term.

1 DECEMBER

International Community in Nanjing was launched with sales of RMB1.8 billion within 2 hours, with more than 5,000 potential buyers were present at the site, an average selling speed of 6 seconds per unit was reported. The project broke ten records of Nanjing in terms of launched units, launched GFA, launched amount, sales units, sales GFA, sales amount, selling speed, destocking ratio at opening, customer retention scale and number of potential buyers on site. The Majestic in Nanjing was launched in the same week with sales of RMB200 million. Sales of about RMB2.0 billion were recorded from the two projects launched at the same week.

Chairman's Statement

Chairman's Statement

I have pleasure to report to the shareholders that:

The audited profit attributable to equity shareholders of the Company for the year ended 31 December 2013 increased by 23.1% to HK$23.04 billion. Basic earnings per share were HK$2.82, an increase of 23.1%. Total shareholders' funds increased by 26.0% to HK$109.97 billion. Net assets per share were HK$13.5, an increase of 26.2% on 2012, and average return on shareholders' funds reached 23.4%. The Board recommends the payment of a final dividend of HK29 cents per share for year 2013.

Hao Jian Min
Chairman and Chief Executive Officer

Chairman's Statement (continued)

The Board is confident about the prospects for the Group. In the past 12 years, the Group achieved a compound annual growth rate of 41.7% 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. 2014 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.

1. BUSINESS REVIEW

The world economy remained complicated and fast changing in 2013. Economic recovery was slow for the advanced countries in the West; economic development in Japan showed little improvement even with mega quantitative easing measures; geopolitical problems in the Middle East and Asia elevated risks in the global economy; the US Federal Reserve's plan for tapering the current quantitative easing programme has brought turbulence to global financial markets; there were clear signs of capital outflow from the emerging markets, thus increasing the economic downside risks. Amid the volatile economic environment and sluggish economic growth abroad, the Chinese Central Government continued to adopt proactive financial policies and prudent monetary policies while pushing ahead with increased investment in infrastructure, structural adjustments and the reduction of overcapacity. Foreign trade in China showed no sign of improvement while the CPI continued to drop. Weak momentum in the economy resulted in an annual economic growth rate of 7.7%, slightly above the target of 7.5%. The economic slowdown in Europe, the United States and China meant that economic growth in Hong Kong and Macau was mild.

The mainland continued to deploy stringent regulatory measures towards the property market in 2013. Even though liquidity was a bit tight, strong underlying demand led to a satisfactory level of total sales in the mainland property market for the year. There was a remarkable rise in house prices in some cities and the land market was heated. The industry showed greater polarisation and consolidation with increasing market concentration as brand developers performed better. With the slowdown in the domestic economy and

Chairman's Statement (continued)

liquidity tightened further in the fourth quarter, real estate financing became more difficult and expensive. Accordingly, sentiment in land transactions and housing sales cooled from its earlier strength.

Amid the normalisation of austerity measures and a highly competitive market environment, the Group achieved satisfactory growth in its sales and profits in 2013. Turnover increased by about 27.7% to HK$82.47 billion and net profits increased by 23.1% to HK$23.18 billion for the year. The profit attributable to equity shareholders of the Company increased by 23.1% to HK$23.04 billion, of which HK$2.62 billion of profit after tax was related to the increase in the fair value of the investment property portfolio. Also, there was fair value remeasurement of the Group's previously held equity interests in three projects immediately prior to acquisition of certain interests of these projects from the real estate fund amounting to HK$1.46 billion. The Group hence recorded an increase of 20.0% in its core profit to HK$18.96 billion. The Board is pleased to report to the shareholders of the Company that the consolidated net profit of the Company increased by more than 20% in each of the past 11 years (2003–2013). Over the past five years (2009–2013), the net profit attributable to shareholders has increased at a compound growth rate of 34.7% per annum while the average return on shareholders' funds reached 23.4%.

Property Development

In 2013, the target for contracted sales of properties, which was raised to HK$120 billion in August, was exceeded for another record high. Total sales of properties (including sales by joint ventures and associated companies) amounted to HK$138.52 billion, while the corresponding area sold was 9.23 million sq m. There was a cash inflow of HK$120.4 billion from sales for the Group and the joint ventures, representing a year-on-year increase of 15.2%. The pre-sales deposits for the Group and the joint ventures were HK$66.88 billion as at the end of 2013, an increase of 15.0% compared with the previous year.

In 2013, 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 achieved in the mainland property development sector with contracted sales of HK$136.94 billion in 2013.

As the Hong Kong Government strengthened regulation of the property market and promulgated Buyer's Stamp Duty and Special Stamp Duty, the property market in Hong Kong has entered an adjustment period, which led to a sharp drop in the number of transactions. Sales for Hong Kong and Macau for the year amounted to only HK$1.58 billion.

The turnover of the Group increased by 27.7% to HK$82.47 billion. (If the turnover of the joint ventures attributable to the Group is taken into account, the total amount increased to HK$100.47 billion, an increase of 29.0% compared with last year.) During the year, development of property (including by joint ventures) with aggregate gross floor area ("GFA") of about 8.38 million sq m was completed. The value of sales for these projects recognised as the Group's turnover in 2013 was HK$60.87 billion. Furthermore, the level of sales of properties completed as at the end of 2012 by the Group, was satisfactory with about 910,000 sq m sold for approximately HK$17.74 billion. Hence, the turnover for property development increased by 28.0% to HK$78.61 billion. The turnover for mainland property development amounted to HK$73.53 billion, an increase of 23.7%. Its gross profit margin for property development projects held steady at a satisfactory and market-leading level, while operating profit increased to HK$22.02 billion. The turnover for Hong Kong and Macau amounted to HK$5.08 billion and the operating profit was HK$1.52 billion.

Chairman's Statement (continued)

Investment Properties

Unipark in Jinan was completed, adding about 60,000 sq m of completed investment properties to the Group for a total of 600,000 sq m in Hong Kong, Macau and the mainland as at the end of 2013. The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK$860 million, representing a year-on-year increase of 48.3%; profit for the segment amounted to HK$4.20 billion, which included an increase in the fair value of investment properties amounting to HK$3.44 billion (net income after deferred tax of HK$2.62 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 and liquidity in the property market, funding and development capabilities, the land reserve on hand and the quality and cost, a decision of whether to acquire land is made. Mainly because of its positive view towards the mainland property market, in the fourth quarter of the year, the Group stepped up its land acquisition efforts. During the year, 23 parcels of land were acquired by the Group (excluding China Overseas Grand Oceans Group Limited "COGO") in 16 cities in mainland China, including the newly entered Harbin, Fuzhou and Wuxi. These land parcels provided an aggregate GFA of 12.03 million sq m (interest attributable to the Group of 11.60 million sq m).

COGO acquired 13 land parcels in eight mainland cities and added GFA of 4.56 million sq m of land to its land reserve.

During 2013, the Group also purchased two parcels of land (under the Hong Kong Property for Hong Kong People measure) in the former Kai Tak Airport, with GFA of 81,780 sq m, for a total consideration of about HK$4.54 billion.

As at 31 December 2013, the Group had a total land reserve of about 38.77 million sq m (interest attributable to the Group of about 36.41 million sq m) in 29 mainland cities, Hong Kong and Macau; COGO had a total land reserve of 11.66 million sq m (attributable interest of 10.38 million sq m).

Unipark located in Jinan

Chairman's Statement (continued)

Group Finance

The Group continued to enhance financial resources and optimise its debt structure. HK$6.25 billion was raised by way of unilateral loan arrangements with several banks in Hong Kong. In end June, a HK$5.75 billion bridging loan was arranged with four banks in Hong Kong to fund the acquisition of the two land parcels under the Hong Kong Property for Hong Kong People measure. The Group undertook a bond issuance in October that raised US$1.5 billion. We had a limited number of fundraising activities in mainland China and raised only RMB2.61 billion in 2013 mainly to pay off matured bank loans. The Group raised HK$26.79 billion in 2013. After deducting the repayment of matured bank loans due, the net amount raised for the year was HK$13.64 billion. A cash inflow from sales of about HK$94.74 billion was recorded for the year and together with the net amount raised by financing and the net cash inflow of HK$7.0 billion from joint ventures, the Group had more than sufficient funds to meet its requirements, including major expenditures of HK$58.01 billion for land premiums, HK$32.22 billion for construction costs and HK$21.43 billion for tax, sales and distribution, administrative and finance expenses.

As at the end of December 2013, outstanding borrowings and guaranteed notes payable by the Group were about HK$40.01 billion (loans denominated in RMB amounted to HK$8.76 billion) and about HK$32.69 billion (US$4.25 billion) respectively; cash on hand amounted to approximately HK$41.48 billion (not including cash held by joint ventures amounting to approximately HK$13.2 billion); shareholders' funds in the Company increased from HK$87.24 billion to HK$109.97 billion; and the net gearing of the Group increased from 20.5% at the end of last year to about 28.4%, a very healthy level taking into consideration the substantial increase in land acquisitions in the fourth quarter.

In February, the Company was awarded a BBB+/Stable investment credit rating by Fitch Ratings. Subsequently, the investment grade rating issued by Moody's was upgraded to Baa1/Stable while that of Standard & Poor's was upgraded to BBB+/Stable. This reflects market recognition of the Group's solid and stable financial profile and its market-leading status. In October, for the second time, 30-year long-term bonds were issued, an achievement that reflected the confidence of the capital markets in the long-term business development of the Group.

Human Resources

The Group continues to enter new cities every year. Talent at all levels is always in great demand. The Group faces challenges in building and conserving its 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 2013, more than 350 outstanding graduates from leading universities in China were recruited through the "Sons of the Sea" scheme and more than 540 talented staff joined through the "Sea's Recruits" scheme. This recruitment of plentiful human resources effectively met our demand for new staff.

Talent at all levels is always in great demand

Chairman's Statement (continued)

Corporate Governance

The Board firmly believes that its prime duty is to protect and best utilise resources in the Group to enhance value for shareholders. A high standard of corporate governance is key to improving corporate profit and facilitating sustainable development. Thus the Group strives to improve corporate governance standards to ensure efficient operation of the Group's businesses and safeguard its assets and shareholders' interests. Over the past 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 Majin Hope School in Quzhou City, Zhejiang Province, a total of eight 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 2013, the Group received numerous awards. The Company was acknowledged as number one among "The Top 50 China Real Estate Enterprises by Brand Value". China Overseas Property was acknowledged as the "Leading Brands of China Real Estate Companies" for the tenth consecutive year, ranking first in the property sector with a brand value of RMB29.77 billion. For 10 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 projects are recognised for its excellence in quality, design and management and three Zhan Tianyou (詹天佑) awards were received in 2013.

2. PROSPECTS

Macroeconomy

It is expected that the various stimulus measures launched by the advanced countries of Europe, the United States and Japan will remain in place in 2014. The US quantitative measures tapering will intensify volatility in the global financial markets while the threat of asset bubbles and inflationary pressure in emerging markets persists. There will be some improvement in United States economic growth and the euro sovereign debt crisis, but economic growth globally will be mild. For most enterprises, 2014 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.

In order to keep the economy on a healthy, balanced and sustainable track, and under the strategy of combating inflation and moving ahead with structural reform, the Chinese government is determined to adopt a prudent monetary policy. Liquidity in the financial markets will tend to be tight amid financial market reform and deleveraging. This in turn may have a short-term effect on economic growth momentum. And the slowdown in economic growth in China may add uncertainty to the global growth picture.

Chairman's Statement (continued)

Business Development

The outstanding performance of the Group in 2013 amply demonstrated the Group's excellent operational capabilities and brand advantages. The Group is prudently optimistic about the mainland China property market in 2014. It is expected that the tough restrictive policies will likely remain in place for 2014 but the government may implement fiscal and tax reform in lieu of administrative means to get the market back on track. 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 stable in 2014 and the whole industry presents both challenges and opportunities. 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. Hence, the Group is fully confident and capable of delivering a good performance even amid the normalisation of tightening measures.

To accelerate sales, it is expected that property developers in Hong Kong and Macau will launch some short-term measures in response to the regulatory measures implemented by the government. The secondary property market will remain relatively slow. The Group will still seek appropriate opportunities to expand its business in Hong Kong and Macau.

Operational Philosophy

The Group holds to its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" (慎微篤行，精築致遠). It strictly adheres to its undertakings and conducts business with complete integrity and seeks progress amid stability (穩中求進). The Group will also hold 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 develop premium projects in the middle to high-end segments and to win the trust and respect of the market. It is not easy to maintain sustainable growth with the scale of the sales exceeding HK$100 billion every year. The Group recognises that the brand of an enterprise is its most valuable intangible asset and a vital competitive tool. Hence it firmly follows the operating philosophy of "A Trusted Brand Growing through Diligence and Care" (精耕細作，品牌經營) in order to reinforce the elite image of China Overseas Property products. 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 further enhanced. The brand reflects the culture of an organisation and in the case of the Company that includes the pursuit of high-quality products 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 engenders trust among 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. By operating under such a highly regarded brand the Group is able to earn higher profits than its peers and facilitate the Group's pursuit of its long term goal of becoming an evergreen enterprise.

Chairman's Statement (continued)

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 also into account the market situation, it is planned that in 2014, the Group will commence development of an additional GFA of 12 million sq m, bringing the total area under development to a peak level of 30 million sq m; it is targeted that projects (include the joint ventures) with GFA of 10 million sq m will be completed and contracted sales (include the joint ventures and COGO) of not less than HK$140 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 luxury projects in Hong Kong and Macau. The Group will focus on promoting the smooth development and presale of The Nova project in Sai Ying Pun and of The Carat project in Macau.

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 over 20% of total profit. Currently, the total area of commercial property under development and yet to be developed by the Group amounts to about 4 million sq m. About 50% will be completed before 2015.

Interior design of The Carat, Macau

Chairman's Statement (continued)

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, to firmly execute its prudent land policies. It is intended that the Group will enter three or four new cities in 2014 and the replenishment of its land reserve will be not less than 10 million sq m in GFA.

Up to the end of February, 2014, the Group (excluding COGO) has in 2014 acquired seven parcels of land in seven mainland cities with a total GFA of 5.29 million sq m while COGO has acquired four parcels of land in four mainland cities with a total GFA of 2.70 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. The profit and cash flow contribution from joint ventures was significant in 2013. At the end of 2013, the amount invested by the Group in the joint ventures had been reduced to HK$13.63 billion. The profit contribution from joint ventures in 2013 showed a remarkable improvement of 27.7% to HK$2.94 billion. COGO is an associated company of the Group that focuses on third-tier mainland cities and is expected to develop rapidly in the coming years, effectively complementing the business of China Overseas Property. COGO recorded sales of HK$17.22 billion, a turnover of HK$15.91 billion and a net profit of HK$3.38 billion for the year 2013. 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$830 million.

The real estate fund established by the Group in 2010 has been dissolved subsequent to the repurchase of all the three projects participated by the fund in May. The details of the repurchase can be found in the announcement made by the Company on 28 May 2013.

The Company announced on 5 August 2013 the intention of the controlling shareholder, China State Construction Engineering Corporation Limited ("CSCECL"), to inject certain China property businesses into the Group. The Company also announced on 28 January 2014 the transitional arrangement for the operation and management of all the businesses intended to be injected entrusted to the Company. The Group will continue to negotiate actively with CSCECL on the implementation of the asset injection and will inform shareholders of the Company timely of any major development. Please refer to the two relevant announcements for more details on the asset injection and entrustment.

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). While the Group has only about HK$3.3 billion of bank loans due in 2014 and the pressure on refinancing for the Group as a whole 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, improve its debt structure and enhance its ability to protect its resources, as tapering of quantitative easing measures continues and the current low-interest environment sees further adjustment.

Chairman's Statement (continued)

Business Prospects

The Board is confident about the prospects for the Group and its capabilities. In the past 12 years, the Group achieved a compound annual growth rate of 41.7% 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, 2014, 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, a good 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 sincere appreciation to the shareholders and business associates for their support and trust and the entire staff for their dedication. I would also like to express my gratitude to my fellow Directors for their guidance and wise counsel.

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

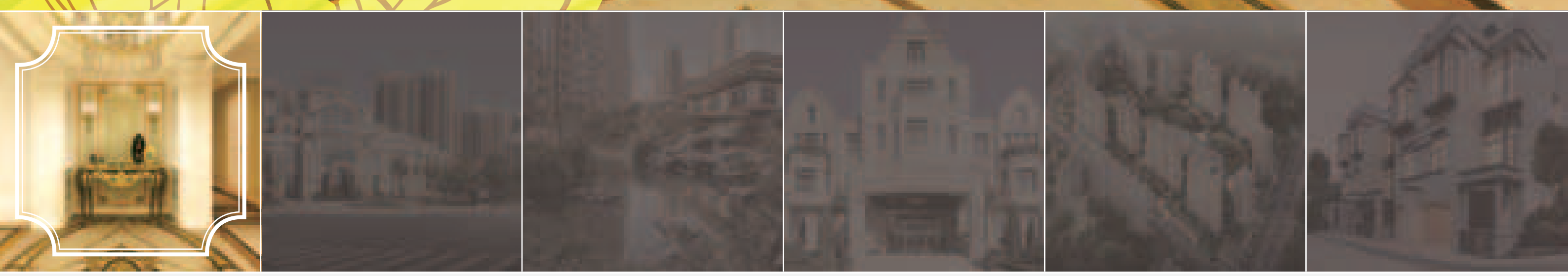
Hong Kong, 13 March 2014

Management Discussion and Analysis

Management Discussion and Analysis

Overall Performance

Interior design of the Amethyst, Shanghai



Overall Performance (Continued)

IN 2013 THE GROUP HAD ANOTHER EXCELLENT YEAR

The Group's turnover amounted to HK$82.47 billion (2012: HK$64.58 billion), an increase of 27.7% (If the turnover of the joint ventures attributable to the Group is taken into account, the total amount increased to HK$100.47 billion). Operating profit was HK$28.35 billion (2012: HK$27.07 billion). Net profit attributable to shareholders amounted to HK$23.04 billion (2012: HK$18.72 billion), an increase of 23.1%. Basic earnings per share were HK$2.82 (2012: HK$2.29), an increase of 23.1%.

The equity attributable to shareholders of the Company at the end of 2013 increased by 26.0% to HK$109.97 billion (2012: HK$87.24 billion).

The Group repurchased the three projects cooperated with the real estate fund at end May. There was fair value remeasurement of the Group's previously held equity interests in three projects immediately prior to acquisition of certain interests of these projects from the real estate fund amounting to HK$1.46 billion.

Management Discussion and Analysis (continued)

Overall Performance (Continued)

PROPERTY SALES

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 2013.

Turnover of property sales, including share of turnover of joint ventures, was HK$96.61 billion (2012: HK$74.73 billion), increasing by 29.3%. Turnover from property sales mainly related to property projects such as Residence 9 in Beijing, No. 1 Lake Lantern and Golden Sand Coast in Foshan, the Phoenix in Nanjing, One City South in Chengdu, the International Community in Xiamen, the International Community in Suzhou, the International Community in Xi'an, Glory City in Guangzhou and the Green in Hong Kong and some joint ventures' projects such as the Amethyst in Shanghai, La Cité in Hangzhou and the International Community in Chongqing.

Profit from property sales (including the Group's share of profit of associates and joint ventures) amounted to HK$27.32 billion (2012: HK$25.15 billion), showing an increase of 8.6%.

PROPERTY RENTAL

Turnover from property rental of the Group for the year amounted to HK$860 million (2012: HK$580 million), an increase of 48.3%. The rise in rental income was mainly due to higher market rent and increased contributions from new investment properties completed at the end of previous year. Segment results amounted to HK$4.20 billion which include an increase in the fair value of investment properties amounting to HK$3.44 billion (net income after deferred tax was HK$2.62 billion).

Golden Sand Coast, Foshan

Management Discussion and Analysis (continued)

Overall Performance (Continued)

OTHER OPERATIONS

Turnover from other operations amounted to HK$3.00 billion (2012: HK$2.59 billion), an increase of 15.8%, mainly derived from property management and Hua Yi design businesses.

Turnover from property management amounted to HK$1.77 billion (2012: HK$1.33 billion), an increase of 33.1%. The Group is dedicated to offer the finest service to its residents and tenants. As at the end of 2013, the Group managed a total GFA of approximately 40 million sq m.

Turnover from Hua Yi design business amounted to HK$480 million (2012: HK$430 million), an increase of 11.6%. Since its establishment over 20 years ago, Hua Yi has completed about 1,300 construction design projects.

CONCLUSION

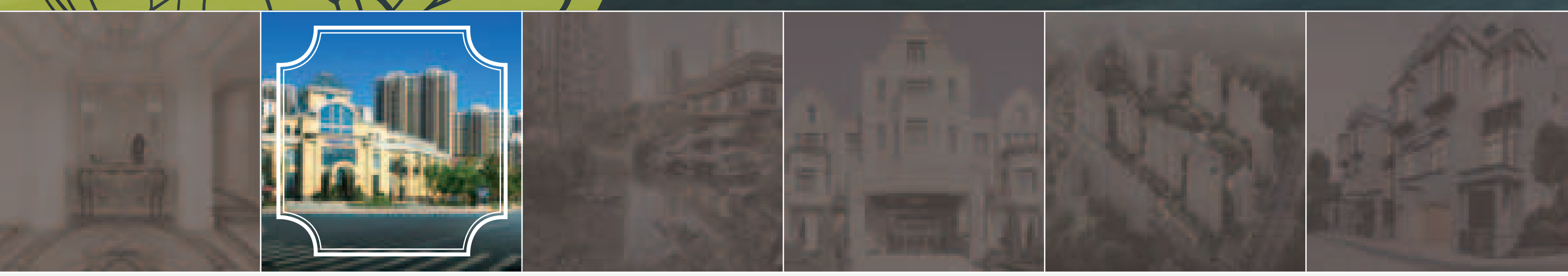
The excellent performance of the Group in the past decade is attributable to its focus and expertise of the property market. The Group will continue to apply the comprehensive nationwide strategic coverage and to provide highly differentiated, premium products in prosperous city centres. The Group is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

Riverside Palace, Shanghai

Management Discussion and Analysis (continued)

Land Reserves

International Community, Suzhou



Land Reserves (Continued)

Annual Summary

- 23 parcels of land were acquired by the Group in 16 mainland cities, providing a total GFA of 12.03 million sq m (attributable interest of 11.60 million sq m); two parcels of land were acquired by the Group in Hong Kong for a consideration of approximately HK$4.54 billion.

- 4.56 million sq m (attributable interest of 4.28 million sq m) of land reserves were acquired by the Group's associated company, COGO in eight third-tier mainland cities.

- At the end of 2013, total GFA of the land reserve owned by the Group amounted to 38.77 million sq m (attributable interest of 36.41 million sq m); COGO had a total land reserves of 11.66 million sq m (attributable interest of 10.38 million sq m).

Management Discussion and Analysis (continued)

Land Reserves (Continued)

As project construction costs are relatively controllable, 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 investment policy is the key to the success of a property developer. 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 high quality land when the market goes down. Therefore, the Group adheres to prudent land policy and 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 financial resources on hand, the land bank on hand, and the quality and costs of new land parcels. With 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. And that in fact has been one of the key competitive advantages of the Group. 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. This will enable the Group to balance risks caused by the volatility in economic and market cycles.

The Group acquired 23 parcels of land in 16 mainland cities including Beijing, Nanjing, Xi'an, Changchun, Jinan, Shanghai, Harbin, Fuzhou, Wuxi, Foshan, Yantai, Kunming, Shenzhen, Ningbo, Shenyang, and Hangzhou, for a total consideration of HK$48.7 billion and two parcels of land in the former Kai Tak Airport, Hong Kong (the first two Hong Kong Property for Hong Kong People) for a total consideration of HK$4.54 billion, providing additional GFA of approximately 12.11 million sq m (attributable interest of 11.68 million sq m). The sales for market as a whole was satisfactory during the first half of 2013. The land market sentiment became a bit hot following also the availability of offshore financing. Nevertheless, in line with its view that the land market will be relatively quiet as the tightening measure is not likely to be relaxed, the Group only acquired eight parcels of land during the first half of the year. In the second half of the year, the property market started to slow down as liquidity for property developers was tightened. The Group started to monitor land acquisition opportunities in a more proactive manner and acquired 15 parcels of land, with new aggregate GFA far more than the first half. During the year, COGO acquired 4.56 million sq m of land parcels in eight cities in mainland China and laid a solid foundation for sustainable development in third-tier cities in China.

At the end of 2013, the Group had a total land reserves of approximately 38.77 million sq m (an attributable interest of 36.41 million sq m), in 29 mainland cities and in Hong Kong and Macau. The land reserves of the Group are relatively evenly distributed throughout Northern region (37.0%), Hua Dong region (21.0%), Hua Nan region (18.3%), Western region (13.9%), and Hua Bei region (9.2%). Land reserves held by the Group in the four first-tier mainland cities account for only 6.6% 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. 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 four years.

Management Discussion and Analysis (continued)

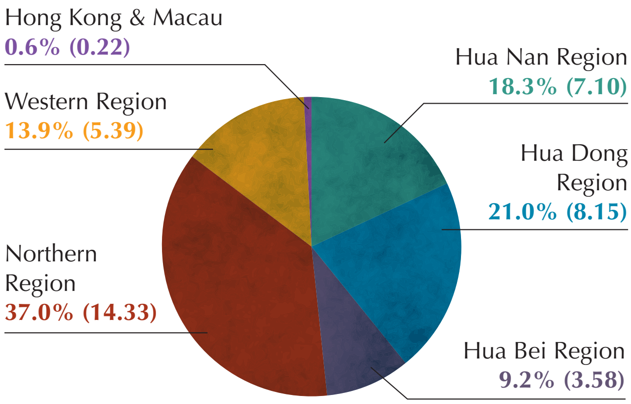
Land Reserves (Continued)

The Group's small land reserves in Hong Kong and Macau (220,000 sq m representing 0.6% of total land reserves) are of high quality and can provide overall satisfactory returns for the Group.

It is expected that the property market in mainland China will continue to be stable in 2014. The Group will seize the opportunity to acquire prime sites at competitive prices with a target of 10 million sq m. Up to the end of February, 2014, the Group (excluding COGO) has acquired seven parcels of land in seven mainland cities in 2014 with a total GFA of 5.29 million sq m while COGO has acquired four parcels of land in four mainland cities with a total GFA of 2.70 million sq m.

BREAKDOWN OF LAND RESERVES BY REGION

million sq m



Management Discussion and Analysis (continued)

Land Reserves (Continued)

NATIONAL COVERAGE OF THE GROUP

Land Parcels added in 2013

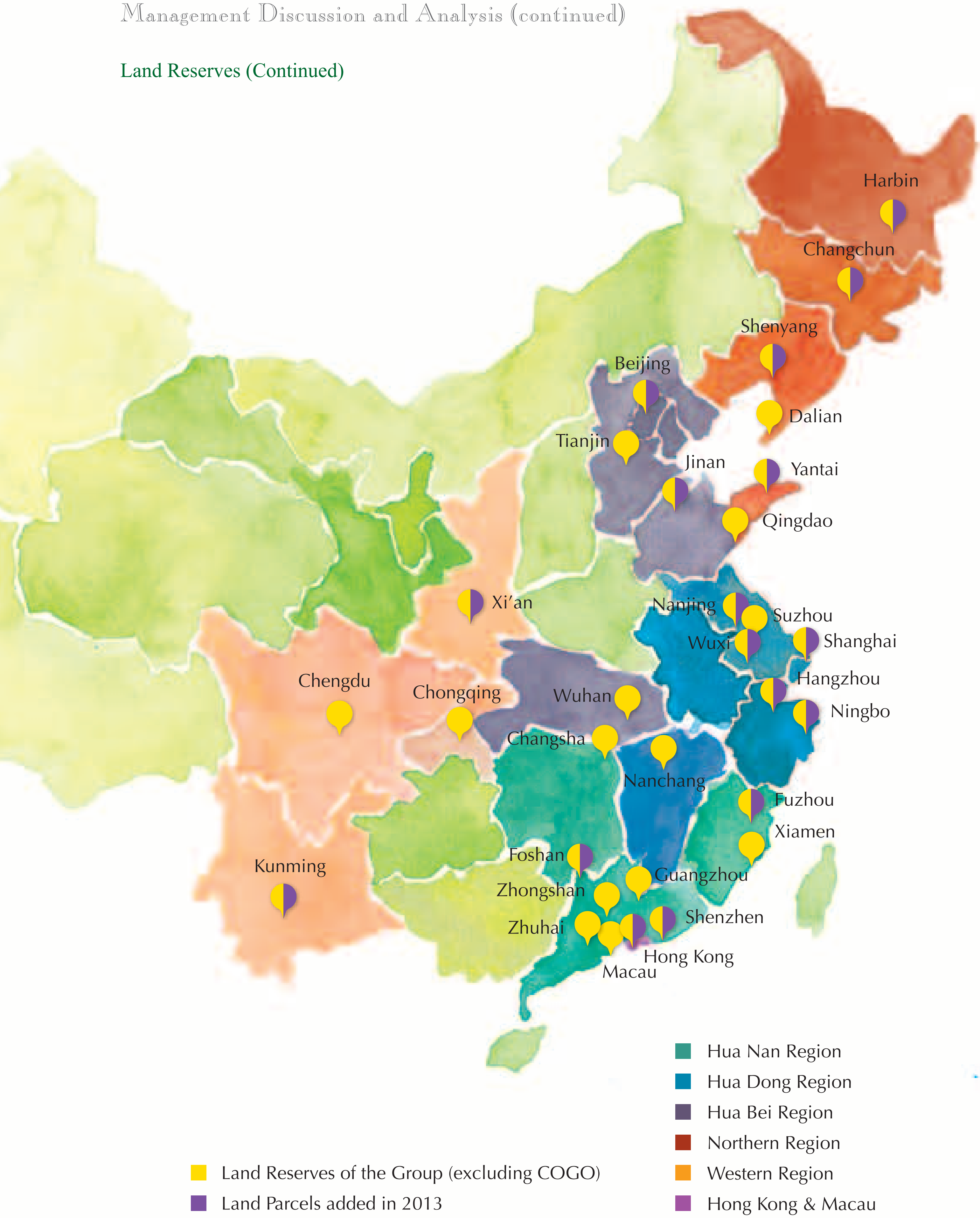
Project name		Land Area ('000 sq m)	Total GFA ('000 sq m)
Hua Nan Region			
Shenzhen	Longhua New District	52	367
Foshan	Nanhai District Guicheng Street Project	38	171
Foshan	Jinshazhou District Project	67	320
Fuzhou	Gaoxin District Project	174	730
Hua Dong Region			
Nanjing	Jiangning District Project	234	931
Ningbo	Jiangdong District 2# Project	54	151
Ningbo	Dongqian Lake Project	123	237
Ningbo	Jiangdong District 1# Project	35	92
Hangzhou	Jianggan District Project	15	91
Shanghai	Minhang District Project	79	243
Shanghai	Songjiang District Project	114	166
Wuxi	Binhu District Project	186	613
Hua Bei Region			
Beijing	Shijingshan District Project	38	160
Jinan	Gaoxin District Project	102	287
Northern Region			
Changchun	Nanguan District Project	70	188
Changchun	Jingyue District Project	109	338
Changchun	Jingkaibei District Project	626	1,375
Shengyang	Dongling District Project	236	547
Shenyang	Heping District Project	537	2,296
Yantai	Gaoxin District Project	452	1,380
Harbin	Haxi District Project	100	384
Western Region			
Xi'an	Qujiang New District Project	134	584
Kunming	Guandu District Project	173	377
Hong Kong & Macau			
Hong Kong	Kai Tak Project	16	82
		3,764	12,110

Total Land Reserves

	City	GFA ('000 sq m)
Hua Nan Region	Shenzhen	646
	Zhongshan	242
	Guangzhou	938
	Foshan	2,391
	Changsha	740
	Xiamen	267
	Fuzhou	730
	Zhuhai	1,147
Hua Dong Region	Suzhou	1,787
	Nanjing	1,696
	Ningbo	1,647
	Hangzhou	1,202
	Nanchang	394
	Shanghai	809
	Wuxi	613
Hua Bei Region	Beijing	160
	Tianjin	623
	Jinan	2,438
	Wuhan	359
Northern Region	Changchun	2,778
	Qingdao	1,325
	Dalian	546
	Shenyang	7,677
	Yantai	1,618
	Harbin	384
Western Region	Chengdu	989
	Xi'an	1,468
	Chongqing	2,324
	Kunming	611
Hong Kong & Macau	Hong Kong	110
	Macau	112
	Total	38,771

Management Discussion and Analysis (continued)

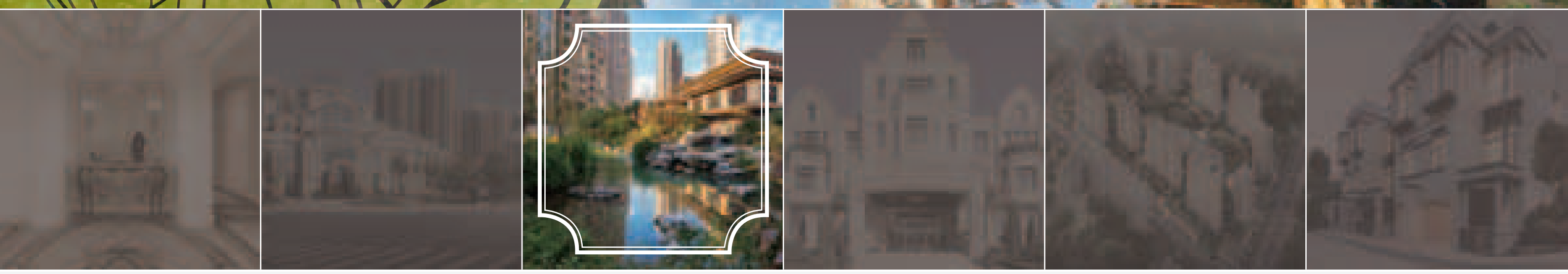
Land Reserves (Continued)



Management Discussion and Analysis (continued)

Property Development

Garden view of the Phoenix, Nanjing



Property Development (Continued)

Annual Summary

- Projects (including joint ventures) with GFA of about 8.38 million sq m were completed.
- Turnover amounted to HK$78.61 billion, comprising the value of sales amounting to HK$60.87 million from projects completed in 2013 and HK$17.74 billion from projects completed in prior years.
- A total of 9.23 million sq m of property (including joint ventures and associated companies) was sold, raising HK$138.52 billion.
- Gross profit margin for property development projects of PRC property development remained at a satisfactory level; operating profit was HK$22.02 billion.
- Turnover of Hong Kong and Macau property development was HK$5.08 billion; operating profit was HK$1.52 billion.
- Increased effort on collecting sales proceeds resulted in collecting HK$120.4 billion from the buyers (including joint ventures) during the year. As at the end of 2013, pre-sales deposits received (including joint ventures) amounting to HK$66.88 billion, an increase of 15.0% on last year.

Management Discussion and Analysis (continued)

Property Development (Continued)

The property market was duly affected as the Chinese government continued to implement tightening measures in respect of the property sector. 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. As the new government change the focus to use market measures to control the property market, it is expected that austerity measures will not be tightened, causing the release of strong underlying demand which helps to improve the overall property market sentiment, therefore sales are satisfactory. As an industry leader and 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 the opportunity of improved market sentiment and intensifying the sales effort, the contracted sales of the Group in the first half of the year exceeded 80% of the annual target. In August, the Group even lifted its annual sales target to HK$120 billion. As satisfactory market sentiments sustained during the latter half of the year, the property contracted sales (including sales by joint ventures and associated companies) for the year increased to HK$138.52 billion. Total sold area was 9.23 million sq m. Sales in mainland China were HK$136.94 billion, accounting for 98.9% of total sales. Total sold area in mainland China amounted to 9.22 million sq m. Sales in Hong Kong and Macau during the sluggish year amounted to HK$1.58 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.

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 8.38 million sq m was completed. The value of sales recognised as the Group's turnover in 2013 was HK$60.87 billion. Furthermore, the level of the Group's sales of properties completed as at the end of 2012 was satisfactory with about 910,000 sq m sold for approximately HK$17.74 billion. Hence, turnover for property development increased by 28.0% to HK$78.61 billion. The operating profit reached HK$23.54 billion. In pursuit of bigger operating scale, the Group has to accelerate its pace of development and sales for all its projects. This will result in better cash inflow, assets turnover and return on shareholders' fund, but the gross profit margin of projects inevitably be squeezed. Taking out the effects caused by the affordable housing and the three projects repurchased from the real estate fund, the gross profit margin for property development projects of the Group was remained at a satisfactory and industry-leading level.

Management Discussion and Analysis (continued)

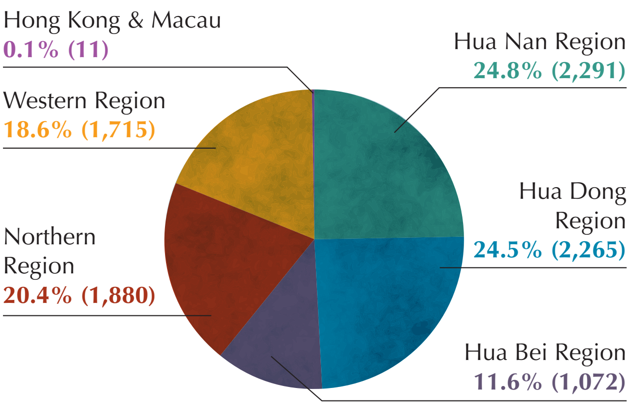
Property Development (Continued)

At the end of 2013, the Group had about 1.34 million sq m of properties held for sale with book cost of HK$19.42 billion. The Group increased effort on collecting sales proceeds, there was a cash inflow of over HK$120.4 billion from sales for the Group and the joint ventures. The pre-sales deposits were HK$66.88 billion as at the end of 2013, an increase of 15.0% compared with the previous year.

In 2014, sentiments in the property market of mainland China is expected to be stable. 2014 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 2014 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. 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 2014.

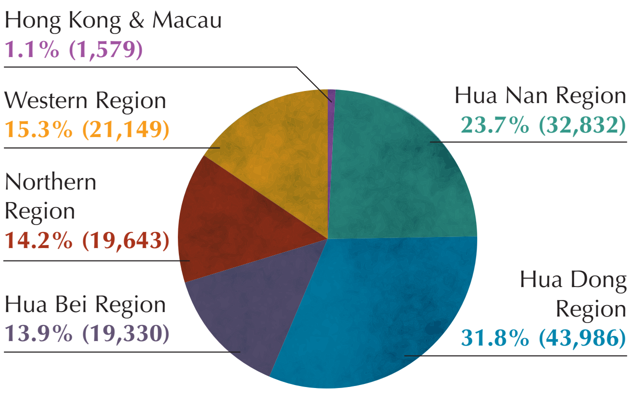
2013 CONTRACTED SALES IN AREA BY REGION

'000 sq m



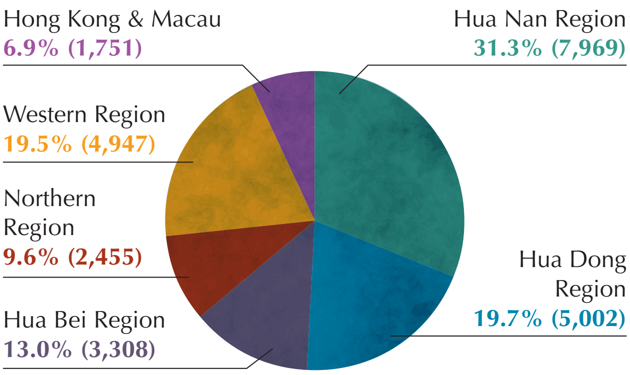
2013 CONTRACTED SALES AMOUNT BY REGION

HK$ million



2013 GROUP'S GROSS PROFIT CONTRIBUTION BY REGION

HK$ million



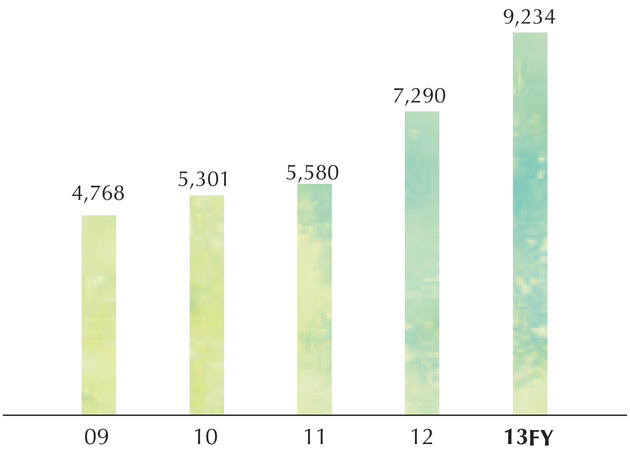
Management Discussion and Analysis (continued)

Property Development (Continued)

The Group strives to expedite its development through joint venture cooperation and mergers & acquisitions. At the end of December 2013, the Group's investment interest in 15 joint ventures plus amounts due from and deduct amounts due to joint ventures decreased significantly to HK$13.63 billion. This was mainly due to the repurchase of the three projects cooperated with the real estate fund and that HK$7.0 billion was returned from joint ventures. Sales from joint ventures reached HK$25.06 billion and the recognised turnover was HK$32.45 billion. Besides, there was a cash inflow of about HK$25.66 billion from sales for the year and pre-sales deposits of HK$5.46 billion at the year end. All the joint ventures are financially sound and they together held cash amounted to HK$13.2 billion at the year end, of which three joint ventures have HK$3.14 billion of bank loans. Since most of the joint venture projects are large scale and close to the completion phase, the profit contribution for 2013 increased significantly to approximately HK$2.94 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 2013 with a net profit of about HK$3.38 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$830 million from COGO.

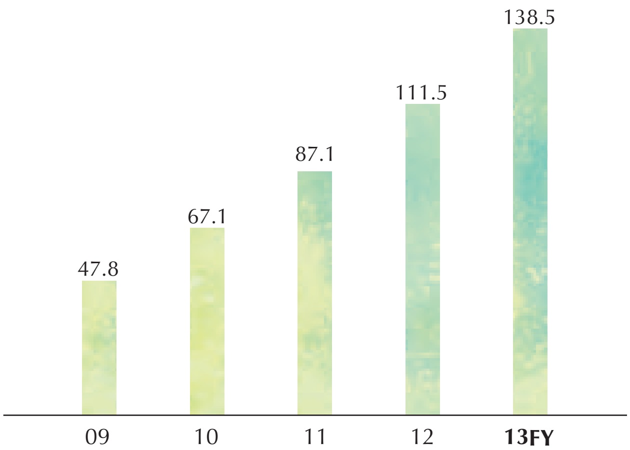
CONTRACTED SALES AREA

'000 sq m



CONTRACTED SALES AMOUNT

HK$ billion



Management Discussion and Analysis (continued)

Property Development (Continued)

GFA of Projects Completed (including joint ventures) in 2013 by Region (unit: '000 sq m)		
	GFA	
Hua Nan Region		
Shenzhen	233	
Zhongshan	189	
Guangzhou	435	
Foshan	405	
Changsha	281	
Xiamen	132	
Zhuhai	228	
Sub-total	**1,903**	**(22.7%)**
Hua Dong Region		
Suzhou	621	
Nanjing	219	
Ningbo	270	
Hangzhou	417	
Nanchang	43	
Shanghai	301	
Sub-total	**1,871**	**(22.3%)**
Hua Bei Region		
Beijing	349	
Tianjin	187	
Jinan	364	
Wuhan	187	
Sub-total	**1,087**	**(13.0%)**
Northern Region		
Changchun	509	
Qingdao	602	
Dalian	63	
Shenyang	282	
Yantai	248	
Sub-total	**1,704**	**(20.3%)**
Western Region		
Chengdu	327	
Xi'an	560	
Chongqing	887	
Sub-total	**1,774**	**(21.2%)**
Hong Kong & Macau		
Hong Kong	**41**	**(0.5%)**
Total	**8,380**	

Management Discussion and Analysis (continued)

Property Development (Continued)

In 2014, it is planned that the Group and the joint ventures together will commence development of an area of 12 million sq m, bringing the total area under development to over 30 million sq m at the peak time; projects with GFA of 10 million sq m will be completed in 2014.

GFA of Projects to be completed (including joint ventures) in 2014 by Region (unit: '000 sq m)		
Region	**GFA**	
Hua Nan Region	2,483	(24.8%)
Hua Dong Region	2,536	(25.3%)
Hua Bei Region	778	(7.8%)
Northern Region	2,978	(29.8%)
Western Region	1,187	(11.9%)
Hong Kong & Macau	39	(0.4%)
Total	**10,001**	

Property Development (Continued)

Major Projects Under Development

Hua Nan Region

Glorious City, Foshan
Nanhai District
Foshan (100%-owned)

Glorious City, Foshan is located near Financial Gaoxin District Station of the Guangzhou-Foshan Metro Line. The project offers 730,000 sq m GFA over a site of approximately 200,000 sq m, supported by excellent planning of comprehensive facilities in the neighbourhood. The project will be developed in three phases and provide a total of approximately 4,500 units, scheduled for completion in June 2014, March 2015 and 2016, respectively. Presales of Phase 1 commenced in December 2012 and are sold out as of now. Presales of 632 units in Phase 2 commenced in September 2013 and are also sold out as well as of now.

Management Discussion and Analysis (continued)

Property Development (Continued)

Major Projects Under Development (continued)

Hua Nan Region (continued)

Residence 9, Shenzhen

Baoan District
Shenzhen (100%-owned)

Residence 9, Shenzhen is located in Baoan District, Shenzhen, situating on a mid-hill site in Qianhai next to the Tiegang Reservoir, where it enjoys a tranquil surrounding with natural views. Residence 9, Shenzhen comprises of villas and highrise properties offering a total GFA of 350,000 sq m to be developed in three phases: Phase 1 offering 200 townhouse units with total GFA of approximately 100,000 sq m is scheduled for completion in April 2014; Phase 2 offers 88 villas, scheduled for completion in December 2014 and 538 units in highrise properties with lake views, scheduled for completion in June 2015, with total GFA of approximately 160,000 sq m; Phase 3 is a sole villa development offering 108 units with total GFA of approximately 70,000 sq m, which scheduled for completion in 2016. Currently, the main construction work of Phase 1 is substantially completed, while the construction of Phase 2 is progressing well. The construction of Phase 3 will commence in 2014. The presale of 200 townhouse units in November 2013 was met with enthusiastic response, setting new records for the transaction of villa properties in Shenzhen as over 80% of the units have been sold.

Management Discussion and Analysis (continued)

Property Development (Continued)

Major Projects Under Development (continued)

Hua Dong Region

No. 8 Mansion, Suzhou

Industrial Park District
Suzhou (100%-owned)

No. 8 Mansion, Suzhou is located at the south end of Liuli Street in Suzhou Industrial Park District, situated next to the sports centre with panoramic views. The project comprises of 11 highrise buildings with 27 floors and 23 mini-highrise buildings with 9 to 11 floors with a total GFA of approximately 270,000 sq m providing 2,046 residential units. Construction is well underway and completion is scheduled for 2015. Presales was launched in June 2013 and has been met with positive market response, over 70% of the units have been sold as of now.

Management Discussion and Analysis (continued)

Property Development (Continued)

Major Projects Under Development (continued)

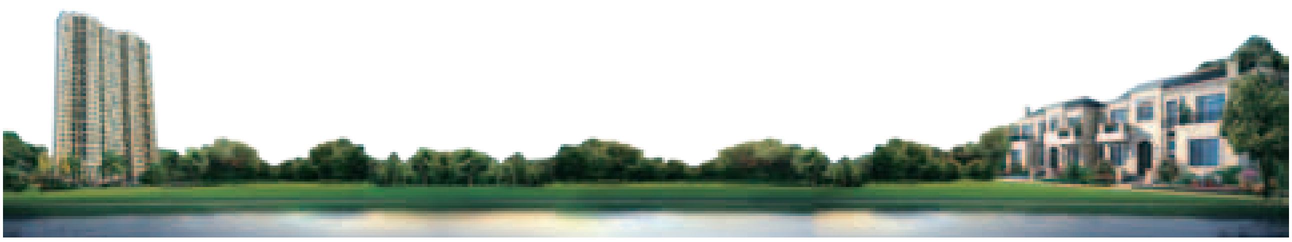
Hua Dong Region (continued)

One Regent, Hangzhou
Jianggan District
Hangzhou (100%-owned)

One Regent, Hangzhou is located within the core area of Qianjiang New Town, the central business district supported by an array of the best-in-class ancillary facilities in Hangzhou that provide thriving daily-life activities accessible within 5 minutes from One Regent, Hangzhou. The project, comprising of residential units and premium office spaces, will be developed in four phases and completion of the project is scheduled in 2016 with a total GFA of 520,000 sq m. Currently, construction for Phases 1 and 2 has commenced and will provide over 2,000 residential units, scheduled to be launched in November 2014 and August 2015, respectively. Phases 3 and 4 are currently under planning.

International Community, Ningbo
Yinzhou District
Ningbo (100%-owned)

International Community, Ningbo is located at the centre of the new town in southeastern Yinzhou, a key district in the development plan of Yinzhou Government which has taken eight years to complete and commanded investments of RMB40 billion. Surrounded by several parks, the project enjoys a tranquil environment with delightful views. It also benefits from a transport system comprising tram and Metro Line No. 4, etc to provide swift and convenient transportation. With a planned total GFA of approximately one million sq m, the project will be developed in four phases. Phases 1 and 2 are scheduled for completion at the end of 2014 and Phases 3 and 4 in 2016. Construction is currently underway with smooth progress. Sales of Phase 1, with GFA of approximately 240,000 sq m, was launched for sale in September 2013 offering a total of 1,692 units received an overwhelming response from buyers. More than 1,100 units were sold within 2.5 hours. Phase 2, with GFA of approximately 180,000 sq m, also received positive market response for its presales in November 2013.



Management Discussion and Analysis (continued)

Property Development (Continued)

Major Projects Under Development (continued)

Hua Bei Region

No. 8, the Milestone, Tianjin

Hexi District
Tianjin (100%-owned)

Located at Balitai in Hexi District, a core area in Tianjin, No. 8, the Milestone is the first high-end low-density luxury development of China Overseas Property in Tianjin. The project will feature low-density houses in distinctive English style, exquisitely renovated highrise luxury residences and boutique apartments as well as commercial properties such as Grade A office towers and an English-style pedestrian walk. The project offers 980 residential units and 210 commercial units with a total GFA of approximately 220,000 sq m. Construction is well underway and the project is scheduled for full completion in 2017. Sales commenced in November 2013 and close to RMB1 billion of sales were made on the opening day with tremendous enthusiastic response from the buyer.

Management Discussion and Analysis (continued)

Property Development (Continued)

Major Projects Under Development (continued)

Northern Region

The Peace Land, Qingdao

Binhai New District
Qingdao (100%-owned)

The Peace Land is situated at 28 Hangzhou Road in Binhai New District. Outbound transportation is convenient, with railway station and Liuting Airport being located approximately 7 km and 17 km, respectively from it. The project provides a total GFA of approximately 220,000 sq m with site area of approximately 70,000 sq m, offering a total of 1,278 residential units in 14 highrise buildings and mini-highrise buildings and 13 houses. Construction is progressing smoothly and completion is scheduled for April 2015. Presales have been ongoing since October 2013.

Royal Lake, Dalian

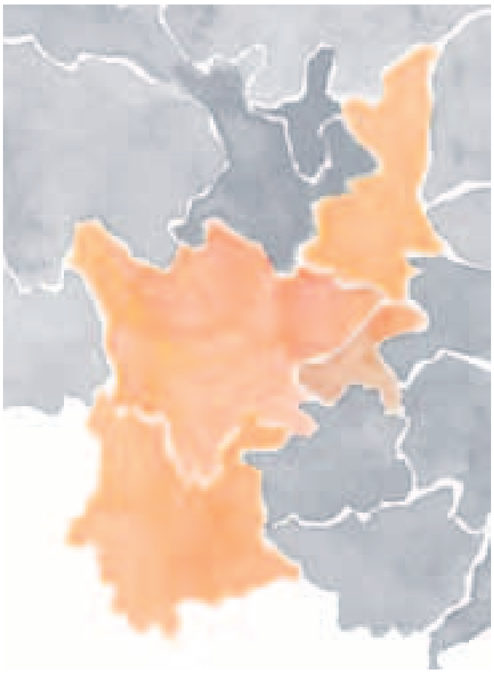
Ganjingzi District
Dalian (100%-owned)

Located at the core section of Xijiao Forest Park, the international tourist and business district in City West, Royal Lake, Dailan enjoys the greenness of a 60-sq km forest park in the midst of the city complemented by the 29-sq km Xishan Reservoir nearby. The project occupies a site of approximately 100,000 sq m to offer GFA of approximately 200,000 sq m. The entire project is expected to provide 1,566 residential units in a low-density residential complex comprising houses with elevators, highrise buildings and mini-highrise buildings. Construction is currently well underway and the entire project is scheduled for completion in 2016. Presales were launched in September 2013 and was met with positive response.

Management Discussion and Analysis (continued)

Property Development (Continued)

Major Projects Under Development (continued)



Western Region

Royal Mansion, Xi'an
Qujiang New District
Xi'an (100%-owned)

Royal Mansion, Xi'an is located in the core area of Furong Yuan, overseeing Qujiang Avenue in the north and embracing the City Wall of Tang Dynasty Heritage Park on the southeastern end. Residents are assured of convenient transportation through Xinkaimen North Road, Furong East Road and Qujiang Avenue, as the three main municipal roads of the city run on the eastern, southern and northern sides respectively, of the project. The project will deliver a total GFA of approximately 580,000 sq m in two phases. Construction is underway in sound progress and full completion is scheduled for 2014.

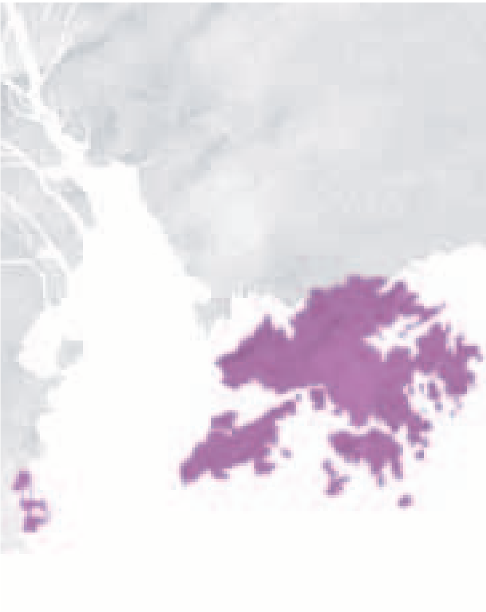
Eighth Academy, Kunming
Wuhua District
Kunming (100%-owned)

Eighth Academy, Kunming is situated at a prestigious location on the first ring road which is supported by full-fledged urban facilities and surrounded by numerous schools with promising premium education resources. The project occupies a site of 40,000 sq m to offer a total GFA of approximately 230,000 sq m in 7 high-rise blocks each with 29 floors. Construction is progressing well and completion is scheduled for December 2014. The launch for pre-sales in June 2013 was met with positive response, with over half of the units were sold on the opening day.

Management Discussion and Analysis (continued)

Property Development (Continued)

Major Projects Under Development (continued)



Hong Kong and Macau

Ap Lei Chau Project, Hong Kong
Southern District
Hong Kong (100%-owned)

Located at the seaside of Ap Lei Chau, Aberdeen, nearby the future MTR station, the Ap Lei Chau Project overlooks the Marina Club and gazes the Ocean Park in a distance amid the azure sky and sea. With a total GFA of approximately 20,000 sq m, the project offers 114 units with unobstructed sea view and 124 parking spaces in two residential blocks each with 32 floors, complemented by a lavish clubhouse. The project is currently undergoing foundation work and presales will be launched in 2015, while completion is scheduled for mid-2016.

The Carat, Macau
Newly Reclaimed Land
Macau (85%-owned)

Located on a coastal site in the core ZAPE of Macau, The Carat is privileged with breathtaking views of coastal areas on both ends of the bridges. The project offers a total GFA of approximately 30,000 sq m in two blocks of commercial/residential towers each with 16 floors, providing 414 residential units, 9 retail shop units and 233 parking spaces. A spectacular clubhouse featuring an indoor swimming pool, a gym with sea views, lavish party rooms and a banquet hall, etc will be built on the top floor. The project is currently undergoing foundation work and presales will be launched in 2014, while completion is scheduled for the second half of 2015.

Management Discussion and Analysis (continued)

Property Development (Continued)

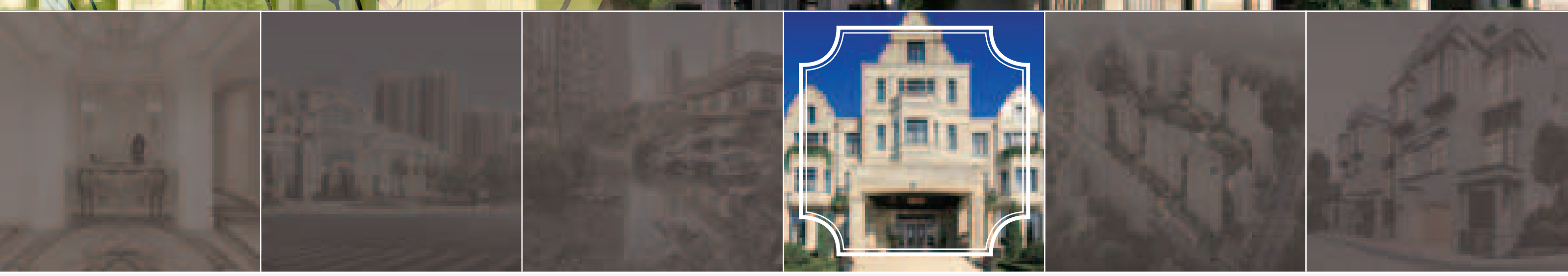
Major Projects Under Development (continued)

Name of property and location	Group's Interest %	Intended Use	City	Year of expected completion	Site area '000 sq m	GFA '000 sq m
Manor No. 9, Renhe District	100	Residential	Chengdu	2014	79	420
No. 1 Lake Lantern, Qiandenghu West District	100	Residential	Foshan	2014	155	800
Royal Bay, Gusu District	100	Residential	Suzhou	2014	160	535
Royal Mansion, Qujiang New District	100	Residential	Xi'an	2014	137	583
Eighth Academy, Wuhua District	100	Residential	Kunming	2014	39	229
The Peace Land, Binhai New District	100	Residential	Qingdao	2015	74	217
Glory City, Luogang District	90	Residential	Guangzhou	2015	200	573
Carat, Newly Reclaimed Land	85	Residential/ Commercial	Macau	2015	7	34
Changsha International Community, Yuelu District	100	Residential	Changsha	2015	313	1,357
No. 8 Mansion, Industrial Park District	100	Residential	Suzhou	2015	122	273
Suzhou International Community, Industrial Park District	100	Residential	Suzhou	2015	663	1,583
One Regent, Jianggan District	100	Residential/ Commercial	Hangzhou	2016	99	522
Ningbo International Community, Yinzhou District	100	Residential	Ningbo	2016	379	983
Residence 9, Baoan District	100	Residential	Shenzhen	2016	152	350
Glorious City, Nanhai District	100	Residential	Foshan	2016	199	726
Qingdao International Community, Licang District	100	Residential/ Commercial	Qingdao	2016	391	1,685
Ap Lei Chau Project, Southern District	100	Residential	Hong Kong	2016	3	21
Royal Lake, Ganjingzi District	100	Residential	Dalian	2016	99	206
No. 8, the Milestone, Hexi District	100	Residential/ Commercial	Tianjin	2017	80	223
Jinan International Community, Shizhong District	100	Residential/ Commercial	Jinan	2017	1,782	2,845
La Cite, Huanggu District	100	Residential/ Commercial	Shenyang	2019	741	2,759
COLI City, Yuhong District	100	Residential	Shenyang	2020	1,260	3,197

Management Discussion and Analysis (continued)

Property Investment

Residance 9, Beijing



Property Investment (Continued)

Annual Summary

- Investment properties held as at the end of 2013 amounted to 600,000 sq m.

- Currently, total area of commercial property under development and yet to be developed amounts to about 4 million sq m. About 50% will be completed before the end of 2015.

- Annual rental income was HK$860 million.

- Increase in fair value of investment properties amounted to HK$3.44 billion, mainly attributable to completed investment properties such as Beijing China Overseas Plaza, Beijing China Overseas Property Plaza, Beijing China Overseas Property Building and Chengdu China Overseas International Center Phase One and investment properties under construction such as Nanjing China Overseas Building and Chengdu China Overseas International Center Phase Three.

Management Discussion and Analysis (continued)

Property Investment (Continued)

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 is striving to develop a series of high-quality investment properties. Following the completion of Jinan Unipark Shopping Mall in September 2013, the Group held an aggregate of 600,000 sq m of investment properties in Hong Kong, Macau and mainland China. The overall occupancy rate of the Group's investment properties was satisfactory. Total rental income for the year was HK$860 million, representing an increase of 48.3% over 2012. Total rental income arising from Hong Kong amounted to HK$130 million, while that from the mainland amounted to HK$730 million. Segment profit amounted to HK$4.20 billion, which included an increase in fair value of investment properties of HK$3.44 billion (net income after deferred tax was HK$2.62 billion).

COMPLETED INVESTMENT PROPERTIES

Jinan Unipark Shopping Mall, the Group's first operating shopping mall, was completed during the year. The property was opened in September with all units leased and have large-scale superstores, boutiques and famous cuisines among its tenants. Since its opening, an average daily customer flow of over 65,000 and average daily sales of HK$2 million have been reported. Located at the interchange of Yangguang New Road and Erhuan South Road, the project enjoys extremely convenient transport while the architectural style is unique. This project provides GFA of approximately 60,000 sq m, which is intended to provide one-stop shopping experience for the citizens of Jinan.

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 One and Phase Two locate at prime sites in Chengdu and perform well in the rental market with high occupancy rates. Tenants are mainly large-scale international 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 630,000 sq m, which are expected to be completed in 2015.

China Overseas Property Building, China Overseas Plaza and China Overseas Property Plaza in Beijing continued to generate stable rental income for the Group with high occupancy rates.

Chengdu China Overseas International Center (Phase 1 and 2)

Property Investment (Continued)

MAJOR COMPLETED INVESTMENT PROPERTIES

	Name of property and location	Group's interest %	City	Year of lease term expiry	Area *sq m*
(a)	China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	100	Hong Kong	2047	19,485
(b)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	100	Beijing	2051	24,226
(c)	China Overseas Plaza, Jianguomenwai Avenue, Chaoyang District, Beijing	100	Beijing	2053	134,715
(d)	China Overseas Property Plaza, West Bin He Road, Yong Ding Men, Dongcheng District, Beijing	100	Beijing	2043	81,619
(e)	China Overseas International Center Phase One, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	129,464
(f)	China Overseas International Center Phase Two, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	65,555
(g)	China Overseas Building, No. 36 East Longteng Road, Wuhou District, Chengdu	100	Chengdu	2045	34,825
(h)	China Overseas Building, No. 76 Yanji Road, Shibei District, Qingdao	100	Qingdao	2047	24,046
(i)	Unipark Shopping Mall, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2049	62,097

Management Discussion and Analysis (continued)

Property Investment (Continued)

INVESTMENT PROPERTIES UNDER CONSTRUCTION

The total area of commercial property under development and yet to be developed by the Group amounts to about 4 million sq m. About 50% will be completed before the end of 2015.

Nanjing China Overseas Building is located in the core area of Gulou District in Nanjing which affords convenience in transportation. The property offers GFA of approximately 190,000 sq m comprises of Grade A offices and large shopping mall. With a strong sense of modernity and technology in its design, the property will be the first LEED (Leadership in Energy & Environmental Design) accredited office development in Nanjing. Currently, Nanjing China Overseas Building has concluded tenancy agreements with numerous well-known brand names and leasing activities are progressing well. The project is scheduled for completion in 2014.

Other projects under development include Tianjin China Overseas International Building and Tianjin No. 8, The Milestone, Jinan International Community C-3, Shenyang China Overseas Plaza, Beijing China Overseas Jin Shi Yuan, 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 to provide premium offices and commercial spaces. Unipark shopping malls in Shenyang, Nanjing and Zhuhai are also expected to become operational in the coming 3 to 5 years which will further refine the Group's investment property portfolio.

China Overseas International Building, Tianjin

Unipark Shopping Mall, Shenyang

Management Discussion and Analysis (continued)

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	Area *sq m*
(a)	China Overseas Plaza, Ta Wan East Road, Huanggu District, Shenyang	100	Shenyang	2014	2049	182,549
(b)	China Overseas Plaza, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2014	2049	78,165
(c)	China Overseas Building, Phoenix West Road, Gulou District, Nanjing	100	Nanjing	2014	2046	185,202
(d)	China Overseas Plaza Tower, Bai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2014	2050	204,529
(e)	West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2015	2051	227,669
(f)	Renhe No. 39 land of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2015	2052	193,860
(g)	China Overseas Jin Shi Yuan, Lao Gu Cheng Village JB parcel, Shijingshan District, Beijing	100	Beijing	2015	2053	68,136
(h)	China Overseas International Center Phase Three, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2015	2048	208,862
(i)	No. 8, The Milestone, The Junction of Wei Jin South Road and Wu Jiayao street, Hexi District, Tianjin	100	Tianjin	2016	2053	81,459
(j)	China Overseas Building, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2017	2048	245,608
(k)	International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2018	2049	163,300
(l)	China Overseas International Building, Bin He West Road, Tanggu District, Tianjin	100	Tianjin	2018	2049	166,924

Management Discussion and Analysis (continued)

Other Operations

No. 1 Lake Lantern, Foshan

Management Discussion and Analysis (continued)

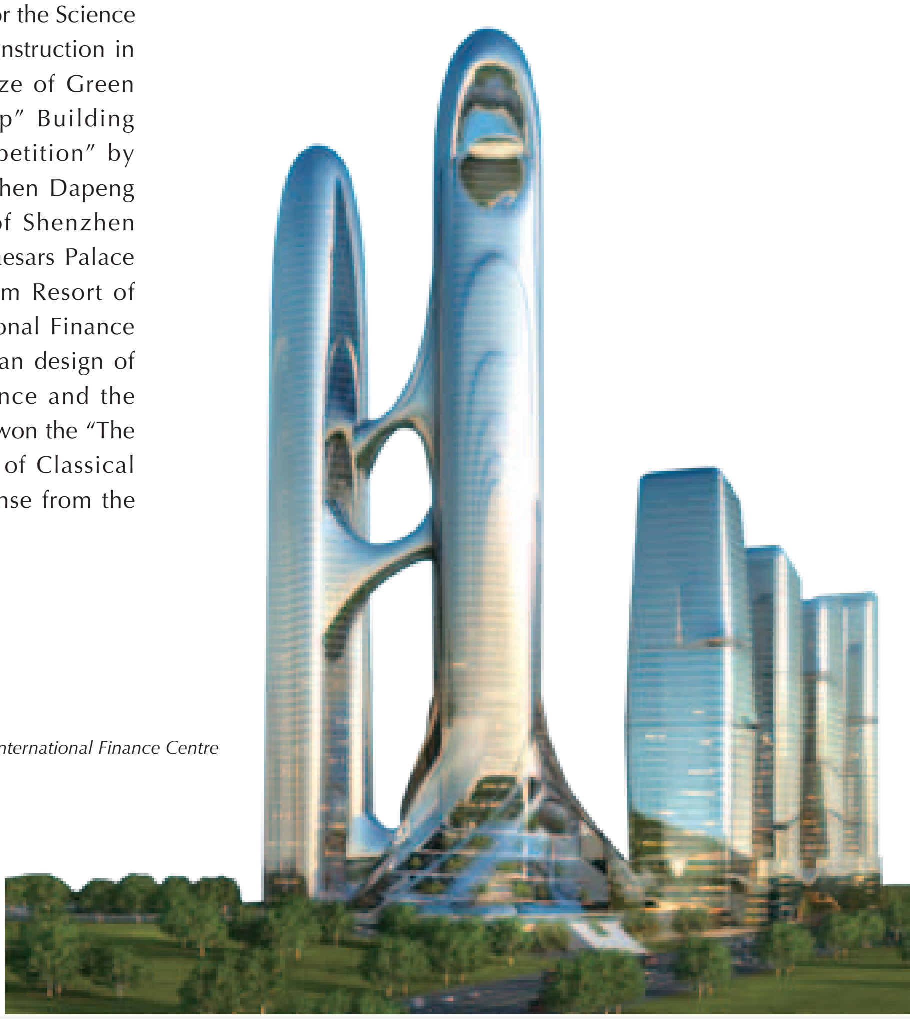
Other Operations (Continued)

PLANNING AND CONSTRUCTION DESIGN

Hua Yi is a company of the Group which engages in provision of design services. Hua Yi has attained "Grade A Architectural Design Qualification" and "Grade A Urban Planning Qualification", with over 900 professional designers and 8 national branch offices. Hua Yi has successfully completed over 1,300 architectural and engineering design projects within the Mainland China, and was granted repeatedly excellent design awards at national level, provincial level and was conferred the title of "the Top Ten Innovative Enterprises in Civil Construction Industry of Guangdong Province".

Persisting in the strategy of "building core technological competitiveness", Hua Yi drives to deliver exquisite work quality in its architectural designs, Hua Yi has won 24 design awards at industry, provincial and national levels, besides the inclusion of Nanjing CSCEC Grand Tower in the "The BIM Demonstration Engineering Project for the Science and Technology Promotion of China State Construction in 2013", Hua Yi was awarded "the First Prize of Green Analysis in 2013 Annual "Innovation Cup" Building Information Modeling (BIM) Design Competition" by outstanding projects designs such as Shenzhen Dapeng Geological Museum, the Second Phase of Shenzhen University Foundation Laboratory Project, Caesars Palace Longmu Bay Hotel of International Tourism Resort of Longmu Bay, Hainan and Guiyang International Finance Centre. Hua Yi has won the tenders for urban design of Xianjia Harbour New City in Hubei Province and the Mianyang Horticulture Sub-centre. It has also won the "The Planning Gold Award — National Contest of Classical Residential Plans 2013" with positive response from the public.

Hua Yi reported growth in the value of new contracts as well as turnover as a result of further developments in its core competitiveness and integrated service capabilities fostered by improved and extended business chains and enhanced brand influence through the driving force effect of the "Urban Planning -Architectural — double class A platform". In 2013, new contracts signed by Hua Yi exceeded HK$770 million. Turnover and operating profit amounted to HK$480 million and HK$100 million, respectively.



Guiyang International Finance Centre

Other Operations (Continued)

Property Management

China Overseas Property Management, the subsidiary of the Group engaged in property management, has been making continuous efforts to improve its service quality in tandem with the rapid development of the property business, with a view to enhance the value of the Group's property brand.

Following steady business development during the year, China Overseas Property Management which is mainly responsible for the property management services for residential projects has now established footholds in five regions covering more than 20 cities across Mainland China, with a total GFA under management reaching 40 million sq m. It owns a number of professional property services companies with an extensive range of businesses including building automation, property electrical and mechanical maintenance, elevator installation and maintenance, environmental engineering construction, landscaped garden design, construction and renovation, hotel operation management and education in property management etc.

Incorporated in Shenzhen in 2012, China Overseas Commercial Properties Co. Ltd. specialises in property management services for commercial projects and manages projects in Hong Kong and more than 20 tier-one and tier-two cities including Beijing, Shanghai, Shenzhen, Nanjing, Shenyang and Chengdu. Its scope of business covers three major product series including Grade A office under the brand name "China Overseas", the Unipark shopping malls and star-rated hotels. As at the end of 2013, the operational area of commercial property projects spanned 600,000 sq m, while the area of projects under construction and earmarked for construction exceeded 4.0 million sq m.

China Overseas Property Services Limited, which is responsible for the property management for Hong Kong properties, has been established for 28 years. In addition to providing excellent property management services to the Group's luxury residential property development projects — No. 1 Oxford Road, No. 6 Stanley Beach Road, the Green and the Grandeur, it also provides diversified management services throughout Hong Kong and Macau, including commercial buildings, shopping malls, large estates, public housing estates, private properties, public facilities, entry and exit points as well as military sites.

In an active move to improve service quality, China Overseas Property Management obtained the ISO9001,

Management Discussion and Analysis (continued)

Other Operations (Continued)

Property Management (continued)

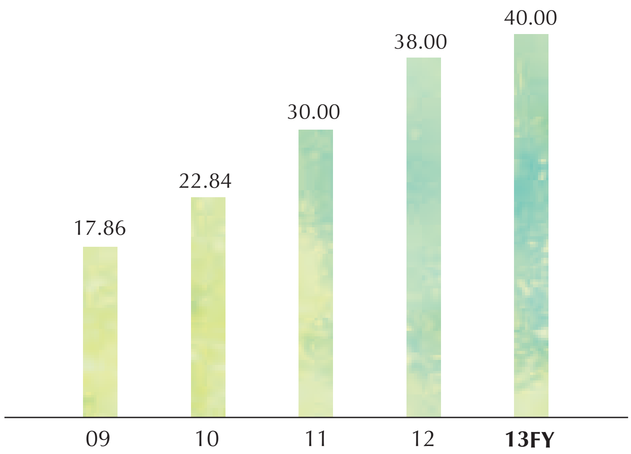
ISO14001 and OHSAS18001 accreditations during the year. Meanwhile, China Overseas Property Management established an equipment and facilities management platform, public energy consumption management system, garden landscape management system and elevator operation surveillance system, with a view to enhance management efficiency, administrative control and standards of equipment management. The car park management systems of various projects have been upgraded with the building of an IT-based control platform. Safety and efficiency at the car parks has also been improved in order to enhance customer experience with the introduction of smart car park management. On the back of its excellent standards in management services, China Overseas Property Management has won significant recognition in the industry evidenced by numerous awards, including "Top 200 China Property Service Companies (6th ranking)", "Top 50 Shenzhen Property Service Companies 2012 (2nd ranking)" and "Outstanding Member of Shenzhen Property Management Association 2012". And the China Overseas Property Services Limited in Hong Kong was awarded the "Best Property Services Agent (Safety Management)" by the Housing Department and the "Safe and Healthy Estate with Excellent Performance" Certificate by the Occupational Safety & Health Council in 2013.

Apart from enhancing its service quality, China Overseas Property Management was also fully committed to the promotion of the green concept with the aim of creating a pleasant living environment for the owners. We provided a healthy environment for the owners of China Overseas properties with consistent application of specialised non-toxic pesticides. Moreover, name plates were made to identify plants. Owners can directly access the database of plant information set up by the Company through their mobile phones to acquire detailed information about the plants, such as their characteristics, methods of nurturing and protection from pest infestation. Owners can learn more about the distribution and characteristics of plants grown in their community to enrich their knowledge in green plants and develop more profound appreciation for the world around them.

The Group's property management fee income amounted to HK$1.77 billion (including HK$0.22 billion from Hong Kong and HK$1.55 billion from Mainland China), representing an increase by 33.1% as compared to 2012. GFA under management exceeded 40 million sq m, an increase by 5.3% as compared to the previous year.

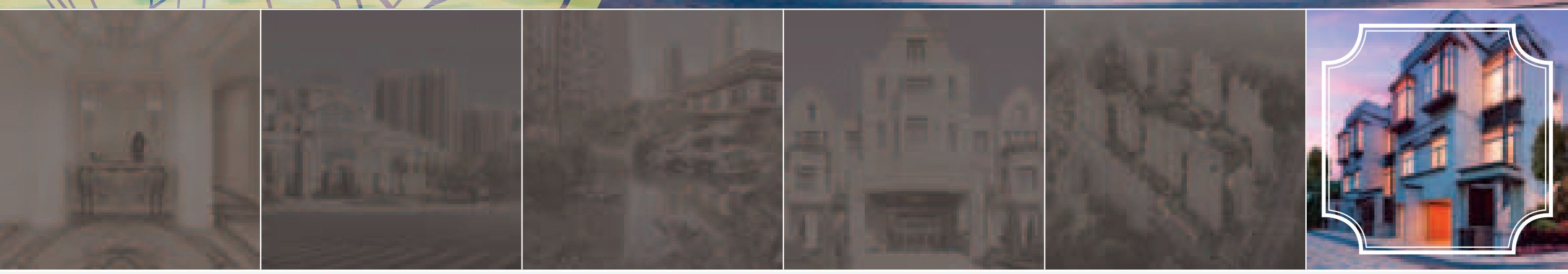
AREAS MANAGED BY THE GROUP

million sq m



Customer Service and Relationships

The Green, Hong Kong



Customer Service and Relationships (Continued)

"China Overseas Property" is a renowned brand name in China that prides itself in values such as integrity, creativity, pragmatism and perfection. The Group has always followed the principle of being customer centric. The Group applies comprehensive customer services focused approach throughout every stage from projects positioning, planning, construction, sales, occupation of the property to after sales property management. The continuous understanding of the needs of the customers enables the Group to improve the products and services constantly.

Management Discussion and Analysis (continued)

Customer Service and Relationships (Continued)

In 2013, the Group continued with its efforts to improve its after-sales service capabilities on the back of the customer relationship management system: in line with its emphasis on improving its ability in product delivery, the Group develops and launches an iPad-clicking input system, which allows staff to log in on-site and follow-up on the issues involved in inspection by customers before occupation of the property as well as customers' complaints after sale. To enhance its operation efficiency, it also allows property owners to take on a supervisory role. During the year, over 40,000 units or GFA of over 8 million sq m were delivered smoothly and safely. Furthermore, the "house maintenance centre" service was launched on a nationwide basis as a standing organisation for post-delivery maintenance, aiming to respond to owners' requests in a timely manner and to resolve issues using local resources. Over 70% of the reported problems could be solved within 2 weeks, indicating further improvements in the efficiency and properness of 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 provide a diverse range of excellent residences and premium services for customers and tenants. Since 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. The Group has launched the second batch of '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 32 residential developments across the nation which have been completed for 2 years or above, with measures to enhance community security systems and increase recreational facilities, etc. Such initiatives, which were completed successively and put into use, have won wide acclaim among customers.

In addition, China Overseas Property Club (COPC), established to enhance and promote the liaison of the Group, customers and the community, had branches in more than 30 cities with more than 300,000 members and nearly 500 business alliances. In 2013, more than 200 programmes with various themes, such as festive celebrations, cultural programmes and sports events have been organized for owners of different ages and backgrounds. In particular, the Group organized three nationwide activities which were of huge success, including "Lohas Sports Season" in June featuring swimming and badminton tournament, the "China Overseas Experience Camp for Children of Property Owners" held in August and the "Happiness Talent Show" held in October, featuring the talented stars of China Overseas communities. Response has been enthusiastic, with several tens thousands of property owners from more than 100 China Overseas communities in over 20 regional companies were enrolled in these activities.

Group Finance

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

The Group has consistently adhered to the principle of prudent financial and treasury management. In terms of financial management, the experienced professional team in the finance department strives to apply appropriate accounting policies and prepare consolidated financial statements according to stipulated schedules to provide the Board and the management with timely understanding of the Group's operating performance and financial conditions. In terms of treasury management, the Group implements centralized fund allocation by pooling its capital resources wherever practicable in order to reduce idle funds. 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 are pursued after taking into account of the financial conditions of the Group, cash generation and requirements of future operations as well as future changes in the capital market, subject to a reasonable level of borrowing (a gearing ratio of generally not higher than 40%).

FINANCIAL PERFORMANCE

Shareholders' interests are always the top priority for the Group, who is dedicated to delivering value to shareholders. The Group continued to achieve record high in sales and profit despite the macro-control measures and stringent regulatory measures towards the property market in the past two years. Through expediting cash collection from sales, emphasis on capital management and appropriate leverage, the Group has maintained an average annual return on shareholders' equity of 23.4% and a compound growth rate of 34.7% per annum for the net profit attributable to shareholders over the past five years (2009–2013), as well as annual net profit growth of over 20% for 11 years. The joint venture projects of the Group are mostly large-scale projects which have started to generate profit. Profit contributions from these joint venture projects for the year increased by 27.7% to approximately HK$2.94 billion. Profit contributions and cash flow from joint venture projects are expected to remain at a satisfactory level in the coming years. Together with continued improvements in management, the Group is confident that it will continue to maintain sound growth in net profit on the back of annual turnover of not less than HK$100 billion, thus delivering sound reward to shareholders.

Management Discussion and Analysis (continued)

Group Finance (Continued)

FINANCIAL CONDITIONS

The Group has been increasing its shareholders' fund on a continued basis in recent years 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 owners of the Company had increased from HK$33.56 billion as at the end of 2008 to HK$109.97 billion as at the end of 2013, underpinning significant enhancements of the Group's financial strength.

Due to strong sales in the Mainland China property market and faster sales proceeds collection, the Group's net current assets as at 31 December 2013 amounted to HK$130.29 billion, an increase of 35.3% compared with 2012, while the current ratio increased from 2.15 times for the previous year to 2.17 times for the year under review. The Group's interest cover still remained at a relatively high level compared to its peers after decreasing to 11.6 times for the year under review from 14.7 times for the previous year, reflecting higher finance costs for the year as a result of the increase in the Group's overall debt and the change in its debt structure, coupled with the impact of the tapering of the U.S. government from easing measures on liquidity.

The Group's interest cover is calculated as follows:

	2013 **(HK$ million)**	2012 *(HK$ million)*
Operating profit	**28,348**	27,070
Deducting:		
Total interest income	**659**	330
	27,689	26,740
Interest expense*	**2,389**	1,825
Interest cover (times)	**11.6**	14.7

* *Before capitalisation. In 2012, the amount excluded interest on amounts due to non-controlling interests of HK$43 million.*

FINANCING AND TREASURY MANAGEMENT

The Group attaches great importance to liquidity management. In addition to maintaining a reasonable level of cash (generally not less than 10% of total assets), the Group is also committed to improving the debt structure on a continued basis. As the Group anticipates that the property market in Mainland China will remain subject to the impact of macro-control measures in varying degrees in the near future, while a number of the Group's large 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. During the past year, the proportion of fixed-rate debt increased from 36% to 45%. Given the fact that strong liquidity in the market and ongoing low-interest environment have started to change, the Group will gradually increase the proportion of fixed-rate long-term bonds to over 50% of the total interest-bearing liabilities. As RMB tends to appreciate in the future, onshore RMB loans are typically of shorter maturities and at higher costs, in the short term, the Group will increase the weighting of offshore bank loans or debt financing, while control the amount of onshore RMB loans to an appropriate level.

Management Discussion and Analysis (continued)

Group Finance (Continued)

As a property developer with sound financial management, the Group requires a strong financial position. Appropriate borrowings will be made but cash flow should mainly be derived from sales. The Group reported satisfactory sales during the year, generating cash of HK$94.74 billion. Together with the net cash inflow from joint ventures amounting to HK$7.0 billion and net financing of HK$13.64 billion, the Group had more than sufficient cash resources to meet all expenses. As a property developer seeking to sustain reasonable growth, we must expedite the development and marketing of property projects in order to increase asset turnover rate. As the management continues to hold a bullish view on China's property market, the Group is required to increase its net financing each year to support ongoing business development.

While emphasising the availability of adequate funds and diversified financing sources, the Group also endeavours to control the gearing level and borrowing costs. The Group achieved satisfactory sales but purchased not many land parcels in the first half of the year. The net gearing therefore decreased to 14.9%. Substantial land premium payments were made as land acquisitions increased significantly during the second half of the year, equivalent to over 2.7 times of those made during the first six months in terms of GFA. The Group's net gearing ratio at the end of the year increased to 28.4%, still at a sound level. The Group believes that maintaining a low gearing level is favorable to the capture of sound investment opportunities in a volatile market.

As compared with the previous year, interest expenses of the Group increased by 30.9% to HK$2.39 billion. This is mainly due to the increase of borrowings by about HK$13.91 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 costly RMB loans. Despite a slight increase from 3.6% for previous year to 3.7% for 2013, the Group's weighted average borrowing cost (annual interest expenses divided by weighted average loan amount) remained among the lowest in the industry.

Management Discussion and Analysis (continued)

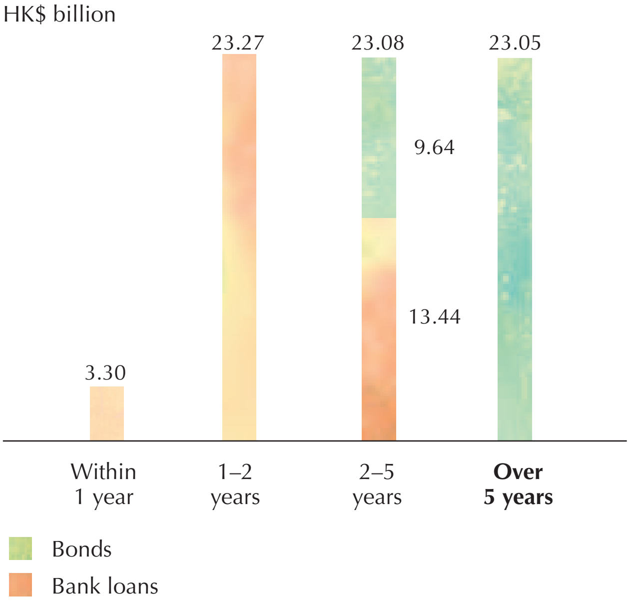
Group Finance (Continued)

At 31 December 2013, the Group's bank loans and guaranteed notes payable amounted to HK$40.01 billion and HK$32.69 billion respectively, with repayment schedules as follows:

Repayment schedule	**2013 (HK$ billion)**	2012 (HK$ billion)
Bank loans		
Within one year	**3.30**	5.55
More than one year, but not exceeding two years	**23.27**	5.04
More than two years, but not exceeding five years	**13.44**	27.05
Total bank loans	**40.01**	37.64
Guaranteed notes payable		
10-year (US$1 billion due November 2020)	**7.70**	7.70
5-year (US$750 million due February 2017)	**5.79**	5.79
10-year (US$700 million due November 2022)	**5.37**	5.36
30-year (US$300 million due November 2042)	**2.30**	2.30
5-year (US$500 million due October 2018)	**3.85**	–
10-year (US$500 million due October 2023)	**3.84**	–
30-year (US$500 million due October 2043)	**3.84**	–
Total guaranteed notes payable	**32.69**	21.15
Total borrowings	**72.70**	58.79
Deducting:		
Bank balances and cash	**41.48**	40.93
Net borrowings	**31.22**	17.86
Equity attributable to owners of the Company	**109.97**	87.24
Net gearing ratio (%)	**28.4%**	20.5%

DEBT MATURITY PROFILE AT 31 DECEMBER 2013

HK$ billion



At 31 December 2013, the Group's bank balances and cash amounted to HK$41.48 billion (2012: HK$40.93 billion).

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

	Bank loans and guaranteed notes payable	**Bank balances and cash**
Hong Kong dollars	42.30%	9.60%
RMB	12.05%	75.21%
MOP	–	0.02%
US dollars	45.65%	15.17%
Total	100%	100%

Group Finance (Continued)

FUND RAISING PLANS

As at 31 December 2013, the Group's available funds amounted to HK$50.24 billion, comprising bank balances and cash of HK$41.48 billion and unutilized banking facilities of HK$8.76 billion. With the payment of outstanding balances of land premium for land acquisition in 2013 amounting to HK$14.05 billion and the continuous acquisition of land, the Group's cash in hand will soon decrease to normal level. On the back of its consistently strong business performance, leading position among Chinese property developers and sound reputation, the Group has been well trusted and supported by onshore and offshore banks and has enjoyed smooth access to financing at low costs. As at the end of 2013, the Group's bank loans due within one year amounted to only HK$3.30 billion (comprising onshore RMB loans equivalent to HK$0.9 billion), accounting for 4.5% of its total borrowings, while bank loans due within two years amounted to HK$26.57 billion, accounting for 36.5% of its total borrowings. The Group will continue to closely monitor changes in the financial market and watch for opportunities to enter into long-term financing in coming year to alleviate the pressure for refinancing afterwards while further improve its debt structure.

The Company is one of the few Hong Kong-listed Mainland China property development companies which have been awarded investment grade ratings by Fitch, Moody's and Standard & Poor's, and the Group's investment grade ratings are in general among the highest in the domestic property development sector. We are also the only company that issues long-term bonds with a 30-year term, which reflects market recognition of the Group's leadership in China's property market and its solid financial position. The Group has maintained effective communication with rating agencies over the past few years to ensure that investors are informed about the Group's business approaches and financial and treasury management. 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 2013, 55% of the Group's borrowings were made at floating rates and 45% 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 the making of currency and interest rate swap arrangements as and when appropriate to hedge against such exposure. The Group has never engaged in the dealing of any financial derivative instruments for speculative purposes.

CONTINGENT LIABILITIES

At 31 December 2013, the Group provided, in line with usual business practice, buy-back guarantees for the repayment of bank mortgage loans amounting to HK$15.41 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$32.69 billion. The Group has never incurred any loss in the past as a result of granting such guarantees.

Directors and Organization

(From left to right) Mr. LUO Liang, Mr. GUO Yong, Mr. CHEN Yi, Mr. HAO Jian Min, Mr. NIP Yun Wing, Mr. XIAO Xiao, Mr. KAN Hongbo

Directors and Organization (continued)

BOARD OF DIRECTORS

Executive Directors

Mr. KONG Qingping

Executive Director, Chairman *(resigned w.e.f. 6 August 2013)*

Aged 58, 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. As at 5 August 2013, besides acting as the Chairman of the Company and director of certain subsidiaries of the Group, Mr. Kong was the Chairman and Non-Executive Director of **China State Construction International Holdings Limited, 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. He has more than 32 years' extensive experience in management of corporate affairs, construction projects and property development. 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 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. Mr. Kong has resigned as an Executive Director of the Company and consequently ceased to be the Chairman of the Company with effect from 6 August 2013.

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

Mr. HAO Jian Min

Executive Director, Chairman & Chief Executive Officer

Aged 49, 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 1997 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. In August 2013, he was appointed Chairman of the Company and continues to serve 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, 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 27 years' experience in construction and property business.

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

Mr. XIAO Xiao

Executive Director, Vice Chairman & Senior Vice President

Aged 57, 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 32 years' experience in construction and property business.

Directors and Organization (continued)

Mr. CHEN Yi
Executive Director
Aged 42, holds a double bachelor's degree in Engineering and Law from Tianjin University, a Master of Business Administration degree from Beijing Jiaotong University and a Master of Engineering degree from the University of Cambridge. Mr. Chen is a professor level senior engineer and a member of the Chartered Institute of Building (UK). Mr. Chen joined China State Construction Engineering Corporation in 1993 and had been the Engineer, Project Manager, Department Manager, Deputy General Manager of CSCEC Construction Company Ltd., the Managing Director, Executive Vice President of China State Construction International Company, the General Manager of the Civil Infrastructure Department of the China State Construction Engineering Corporation Limited, Executive Director and General Manager of China State Construction International Company Ltd., Executive General Manager of the Real Estate Business Department of China State Construction Engineering Corporation Limited and General Manager of China State Construction Land Company Ltd. He joined the Group and the Board as an Executive Director of the Company on 6 August 2013. He has over 20 years' management experience in construction and property business.

Mr. LUO Liang
Executive Director, Vice President & Chief Architect
Aged 49, 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 was 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.

Directors and Organization (continued)

Mr. NIP Yun Wing
Fellow of the Hong Kong Institute of Certified Public Accountants
Fellow of the Association of Chartered Certified Accountants
Executive Director, Chief Financial Officer
Aged 59, 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 has served as an executive director for several listed companies in Hong Kong. Mr. Nip is an independent non-executive director and a member of the Audit Committee of **Shenzhen International Holdings Limited.

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

Mr. GUO Yong
Executive Director, Vice President
Aged 50, 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, joined the Board as an Executive Director of the Company on 19 March 2013 and is also a director of certain subsidiaries of the Group. Mr. Guo has about 30 years' management experience in construction business.

Mr. KAN Hongbo
Executive Director, Vice President
Aged 50, graduated from Hefei University of Technology, holder of master degree, senior engineer. He joined the Group in 1995 and joined the Board as an Executive Director of the Company on 19 March 2013. Mr. Kan has about 24 years' management experience in engineering management.

Directors and Organization (continued)

Non-Executive Director

Mr. ZHENG Xuexuan
Non-Executive Director
Aged 47, 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 24 years' extensive experience in construction, corporate management and human resources management. Mr. Zheng provides guidance on the human resources management matters and bridges the communication with the parent company.

Directors and Organization (continued)

Independent Non-Executive Directors

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 79, joined the board as an independent non-executive director of the Company on 30 September 2003 and has served the Company for about 10 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 Cooperation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the Honorary President of the Chinese Bankers Club of Hong Kong, and the Director of Bank of China International Limited. Mr. Lam is also an Independent Non-Executive Director of 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*

Directors and Organization (continued)

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 51, joined the board as an independent non-executive director of the Company on 5 January 2004 and has served the Company for about 10 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 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, **Qin Jia Yuan Media Services Company Limited and Hong Kong Airlines Limited.

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

Directors and Organization (continued)

Dr. FAN Hsu Lai Tai, Rita
GBM, GBS, JP
Independent Non-Executive Director,
Chairman of the Nomination Committee,
Member of the Audit Committee,
Member of the Remuneration Committee
Aged 68, 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, was a Member of the Standing Committee of the Eleventh session of the NPC and is currently a Member of the Standing Committee of the Twelfth session of the NPC. Dr. Fan is also the first female steward of The Hong Kong Jockey Club.

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*

Directors and Organization (continued)

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

Aged 39, joined the Board as an Independent Non-Executive Director of the Company on 19 March 2013. Mr. Li was appointed the Chairman and Member of the Audit Committee and Member of the Nomination Committee and the Remuneration Committee of the Company on the same day. Mr. Li is a Deputy Chief Executive of **The Bank of East Asia, Limited ("BEA"), primarily responsible for BEA's China and international businesses. Mr. Li joined BEA in 2002, he was General Manager and Head of Wealth Management Division of BEA from July 2004 to March 2009, and was appointed Deputy Chief Executive of the Bank in April 2009. Mr. Li is a son of Dr. LI Kwok Po, David who resigned as an Independent Non-Executive Director of the Company with effect from 19 March 2013.

Mr. Li is currently an Independent Non-Executive Director and the Chairman of the Audit Committee of **Towngas China Company Limited, and an Independent Non-Executive Director of **Hopewell Highway Infrastructure Limited. Mr. Li was an Independent Non-Executive Director of **#Xinjiang Goldwind Science & Technology Co., Ltd. from March 2010 to June 2011.

Mr. Li currently holds a number of public and honorary positions, including being a Member of the National Committee of the Chinese People's Political Consultative Conference, a Member of the Advisory Committee of the Securities and Futures Commission of Hong Kong, Chairman of the Traffic Accident Victims Assistance Advisory Committee of the Government of the Hong Kong Special Administrative Region ("HKSARG"), a Member of the HKSARG Small and Medium Enterprises Committee, a Member of the HKSARG Standing Committee on Judicial Salaries and Conditions of Service, a Member of the HKSARG Harbourfront Commission, a member of the HKSARG Aviation Development Advisory Committee, a Member of the Hong Kong-Europe Business Council, and a Member of the Hong Kong-Taiwan Business Cooperation Committee.

Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Full Member of the Treasury Markets Association. He is also a Fellow of the Institute of Chartered Accountants in England and Wales, and he holds a Master of Business Administration degree from Stanford University as well as a Master of Arts degree and a Bachelor of Arts degree from the University of Cambridge.

** *companies listed on The Stock Exchange of Hong Kong Limited*
# *a company listed on the Shenzhen Stock Exchange*

Directors and Organization (continued)

SENIOR MANAGEMENT

Mr. DONG Daping

Vice President of China Overseas Land & Investment Ltd.

Aged 54, graduated from Heilongjiang University and holds a Master of Engineering Management degree from Harbin Institute of Technology, senior economist. Mr. Dong joined China State Construction Engineering Corporation in 1983, joined the Group in 2001. Mr. Dong was the Executive Director of the Company during the period from August 2009 to March 2013. He is currently the Vice President of the Company, and has about 31 years' management experience in corporate human resources and administration.

Mr. LIN Xiaofeng

Vice President of China Overseas Land & Investment Ltd.

Aged 49, graduated from Peking Economics University (now known as Capital University of Economics and Business) and holds a Master of Business Administration degree from University of South Australia in Australia. Mr. Lin joined China State Construction Engineering Corporation in 1988, joined the Group in 1990. Mr. Lin was the Executive Director of the Company during the period from August 2009 to August 2012. He is currently the Vice President of the Company, and has about 26 years' management experience in corporate finance and accounting.

Mr. ZHANG Yi

Vice President of China Overseas Land & Investment Ltd.

Aged 47, graduated from Tianjin University of Finance & Economics and Peking Economics University (now known as Capital University of Economics and Business) and Graduate Economics Training Center at Renmin University of China, holder of a master's degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. Mr. Zhang has about 20 years' management experience in public relation and investment strategy business.

Mr. QU Yonghai

Vice President of China Overseas Land & Investment Ltd.

Aged 43, graduated from Harbin Institute of Technology, is an MBA from Tsinghua University, senior engineer. He joined the Group in 1993, and has about 21 years' experience in purchasing, investment, marketing, project development and business management.

Mr. QI Dapeng

Vice President of China Overseas Land & Investment Ltd.

Aged 43, graduated from Jilin University and Harbin Institute of Technology, holder of a master's degree, senior accountant. He joined the Group in 1997, and has about 22 years' experience in finance and corporate management.

Ms. WANG Qi

Assistant President of China Overseas Land & Investment Ltd.

Aged 48, graduated from Hefei University of Technology, senior engineer. She joined the Group in 1997. Ms. Wang has about 26 years' management experience in architectural design, engineering management and corporate management.

Mr. OUYANG Guoxin

Assistant President of China Overseas Land & Investment Ltd.

Aged 46, graduated from Chongqing Normal University and is a Master of Corporate Management from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology) and a Doctor of Economics from Peking University, senior economist. He joined the Group in 1997. Mr. Ouyang has about 23 years' experience in construction and corporate management.

Directors and Organization (continued)

Mr. ZHANG Guiqing
Assistant President of China Overseas Land & Investment Ltd.
Aged 41, 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. Mr. Zhang has about 18 years' experience in construction, engineering and corporate management.

Mrs. BAI Min
Deputy Chief Architect of China Overseas Land & Investment Ltd.
Aged 51, graduated from Tsinghua University, holder of a master's degree from Huazhong Engineering Academy (now known as Huazhong University of Science and Technology), senior architect. She joined the Group in 2002. Mrs. Bai has about 28 years' experience in architectural design.

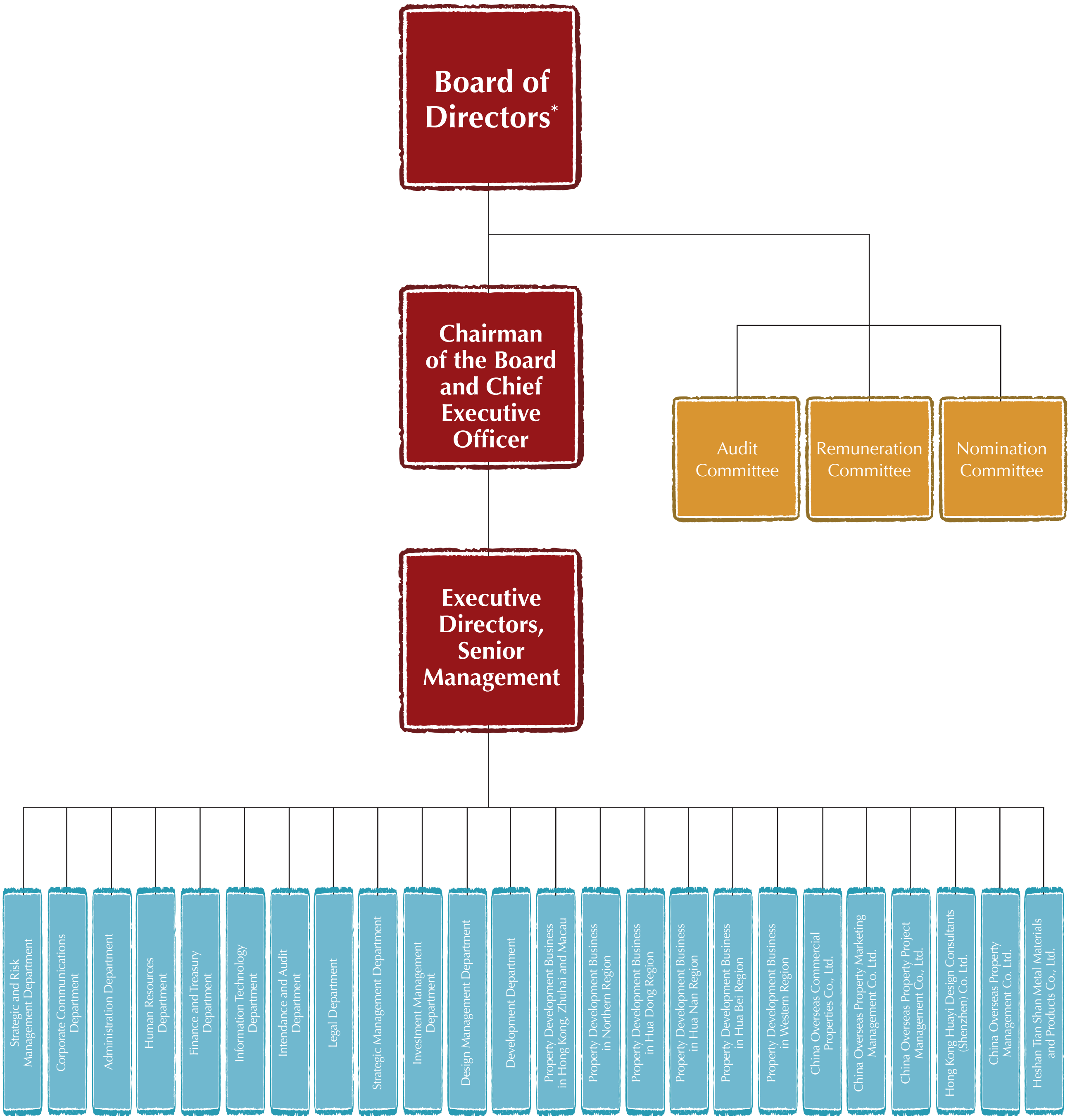
Mrs. SHENG Ye
Assistant President of China Overseas Land & Investment Ltd.
Aged 52, graduated from Chongqing Jianzhu University (now known as Faculty of Architecture and Urban Planning, Chongqing University), senior architect. She joined the Group in 1986. Mrs. Sheng has about 31 years' experience in architectural design and corporate management.

Mrs. XU Xin
Assistant President of China Overseas Land & Investment Ltd.
Aged 45, graduated from Beijing Institute of Civil Engineering and Architecture (now known as Beijing University of Civil Engineering and Architecture), holder of a Master of Business Administration degree from Cheung Kong Graduate School of Business, senior engineer. She joined a subsidiary of China State Construction Engineering Corporation in 1995, and joined the Group in 2014. Mrs. Xu has about 23 years' experience in construction, engineering and corporate management.

Mr. CHEN Lie
Assistant President of China Overseas Land & Investment Ltd.
Aged 43, graduated from Harbin Institute of Technology, senior engineer. He joined China State Construction Engineering Corporation in 1994, and joined the Group in 2014. Mr. Chen has about 20 years' experience in engineering management and corporate management.

Directors and Organization (continued)

ORGANIZATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



* *As at 13 March 2014, 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 nurture a harmonious community, which are the original and ultimate objectives for establishing the community. The Group leverages its various forces and resources from society to strengthen the functions of those communities, optimise community services and redress community problems. These efforts have helped to raise the living standard and quality of the residents of the community.

Based on the outlined blueprint for sustainable development, the Group continues to promote and develop the well-established brand of "海無涯•愛無疆" ("The sea has no limit and love has no boundary") and put 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 2013, eight Hope Schools had been built in mainland, while another one was under construction. 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.

In 2013, the Group has published the first corporate social responsibility ("CSR") report independently. This report adheres to guidelines set forth by the Global Reporting Initiative (GRI) Sustainability Reporting G3.1 Framework, the Guidelines to the State-owned Enterprises on Fulfilling Corporate Social Responsibilities issued by SASAC (State-owned Assets Supervision and Administration Commission of the State Council), and ISO 26000: Guidance on Social Responsibility issued by International Organization for Standardization. It reflects the Group's visions on economic, social and environmental responsibilities as well as its current efforts and achievements.

The Group continues to be recognized as a constituent member of the "Hang Seng Corporate Sustainability Index", "Hang Seng (Mainland and HK) Corporate Sustainability Index" for four consecutive years, and a constituent member of the "Hang Seng Corporate Sustainability Benchmark Index" for three consecutive years, since the establishment of "Hang Seng Corporate Sustainability Index" series in 2010. Recently, the market has placed equal importance on both financial performance as well as corporate sustainability. The recognition reflects the outstanding performance of the Group in every aspect of environmental protection, social responsibilities and corporate governance. The Group is considered by investors as a company with high investment value.

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. To practice corporate social responsibilities, the regional offices of China Overseas Property actively participated in local charity activities.

'Walks for Millions' charity event

Corporate Citizenship (continued)

Educational Assistance

The Group places a lot of emphasis on child and teenage education and whole person development, as the Group 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 fulfillment of its undertaking as a corporate citizen to build one Hope School in China each year. In 2013, China Overseas Majin Hope School in Zhejiang Province was officially completed and delivered.

China Overseas Majin Hope School occupies a site area of 12,084 sq m with teaching blocks of GFA of approximately 5,656 sq m. There are 24 classes with well-equipped functional classrooms, such as music rooms, art rooms, computer rooms and sports rooms, etc. By teaming up with the Education and Technology Channel of Zhejiang Television, which has covered the entire process of donation and construction, the Group has effectively increased social concern for the development of education in impoverished areas and fair education opportunities for impoverished children. This further demonstrates the charitable commitment of the Group in alignment of the corporate philosophy in community welfare: "海無涯 • 愛無疆" ("The sea has no limit and love has no boundary").

As of now, the Group has built eight Hope Schools in Hanzhong of Shaanxi, Nanchuan and Yunyang of Chongqing, Changchun of Jilin, Dujiangyan of Sichuan, Shenyang of Liaoning, Jinan of Shandong and Quzhou of Zhejiang, respectively; while another Hope school is under construction in Huaihua of Hunan. Adhering to the Group's philosophy of building "eternal and excellent products", all Hope Schools built by the Group are of high specification and high quality. The local Hope Schools typically offers the best hardware in its vicinity, specifically China Overseas Sanxia Hope School in Yunyang of Chongqing was honored as "The Most Beautiful Hope School in China".

China Overseas Majin Hope School

Corporate Citizenship (continued)

Voluntary Work

The Group has enhanced long-term cooperation with non-profit-making organizations to contribute to the society continuously through fundraising activities, community promotion campaigns and education programmes. The Group's regular activities include care visits, summer camps, art contests, The Community Chest Walk for Millions, The Conservancy Association "Green Riders" and "Corporate Challenge" sporting contests, etc. Meanwhile, employees are encouraged to actively participate in local community chest activities in a view to practise corporate social responsibilities.

January
"Hong Kong and Kowloon Walk" by The Community Chest of Hong Kong with more than 400 participants.

April
The "China Overseas x TREATS" Mainland + Hong Kong Drawing Competition 2013 with more than 3,200 works received from Hong Kong, China Overseas Hope Schools, special schools and different social groups.

May–September
Arranged "China Overseas Hope Schools visit 2013" by subsidiaries in Mainland China from May to September.

August
The "Cheers Mate: China Overseas Summer Camp for Mainland & Hong Kong Youth 2013" held in Changchun with 50 participants comprising students and teachers from China and Hong Kong.

October
"Charity Walk by The Hong Kong Island Social Services Charitable Foundation" with more than 100 participants.

October
"Green Riders 2013" by The Conservancy Association in Hong Kong with more than 40 participants, to support the environmental protection work of the Conservancy Association in the community.

November
"Wu Zhi Xing 2013" by the Wu Zhi Qiao (Bridge to China) Charitable Foundation with more than 30 participants. Fund raised to improve the lives of the villagers by building footbridges in remote villages in rural China.

November
Launched "China Overseas x TREATS" Mainland + Hong Kong art exchange campaign from November to July 2014.

December
Participated BOCHK Outward Bound Corporate Challenge to facilitate the cooperation and communications among banking corporations and industry.

Corporate Citizenship (continued)

The Group was awarded the "Enterprise Category — Corporate Citizen Logo" in the "3rd Hong Kong Corporate Citizenship Program" organised by Hong Kong Productivity Council and the Committee on the Promotion of Civic Education, in recognition of the Group's fulfillment of its corporate social responsibility in the past year with contributions in the areas of staff caring, contributing to the community and environmental protection in a fine statement of the Group's "people-oriented" business philosophy.

HUMAN RESOURCES AND STAFF DEVELOPMENT

Human Resources Strategy

The Group's human resources strategies focus on cultivating professional talent. It seeks to achieve a balanced development of the staff and the Group as well as to establish a solid foundation for high quality human resources management. Building on an established system and culture already in place, the Group continues to optimise its internal management capabilities and strengthen the growth of talents from different positions, with the aim of achieving its strategic objectives.

Human Resources Management

The Group persists in recruiting strategy of the "Sons of the Sea" and "Sea's Recruits" schemes to expand the recruitment network and to secure abundant supply of high-calibre staff to support the Group's rapid business development. In recognition of the Group's outstanding image as an employer and the brand name of the recruitment exercise, the Group was presented with numerous honours and awards, including the 11th "Best Employers of China Award — Top 50" (hosted by ChinaHR.com). The Group adheres to the "people-oriented" philosophy in management and services and emphasises the fostering of a friendly atmosphere at the Group underpinned by easy and harmonious inter-personal relations. The Group makes improvements to the performance appraisal system and remuneration and benefit packages as well as to the office environment on an ongoing basis, while the Group also constantly introduces new activities to enhance staff satisfaction and sense of belonging. At the end of 2013, the Group had a total of 20,772 employees. In 2013, "Sons of the Sea" and "Sea's Recruits" schemes recruited more than 350 employees and more than 540 employees respectively.

The Group has enhanced long-term cooperation with non-profit-making organizations to contribute to the society continuously

Corporate Citizenship (continued)

Staff Training and Development

The Group has developed a sound staff training program to provide comprehensive resources and support that helps employees to appreciate the Company's strategies, identify with its corporate culture, enhance expertise and strengthen management skills. Day-to-day in-service training is provided for employees primarily through "海無涯網路學院", an internal e-learning platform and shared videos. This platform enables the sharing of knowledge and experiences within the Group across regions, business segments and organisational hierarchies. In regards to the key work stream this year, all ranks within the organisation and business lines have organised a series of specialised training programs, such as the "Motivation Workshop for Senior Management" aimed at enhancing the capabilities of newly promoted general managers of regional companies, the "Professional Workshop for New Managers" aimed at enhancing the management ability of newly promoted managers at intermediary levels, and the "Training Camp for Potential Employees" aimed at improving the quality of employees who had been in service for 2 to 3 years. Such programmes have been widely applauded by employees with active participation. With a strong emphasis on creating a fair employment system, a positive and aspiring work atmosphere has been fostered to provide a solid foundation for the sustainable development of the organisation.

The Group enhances the communications and interaction between all levels of the staff through diverse activities such as recreation, sports, seminars and gatherings. With its business presence expanding in an ever-greater number of cities, the Staff Association has also been set up in the new locations of its business operations so as to enrich the leisure time of the staff and serve as an important means to boost the sense of belonging and cohesion of the staff.

ENVIRONMENTAL PROTECTION

In adherence to the consistent pursuit of "green construction" and "low carbon" as part of the responsibilities, the Group has put in great effort to ensure this is intergrated into the corporate daily office environment and across all business. Through continuous optimization of and the use of office network platform, the Group managed to maximize a paperless office environment at work. Video conferencing system was used instead of avoidable business travel to boost communication efficiency and to practise economy.

Charged with responsibilities in environmental protection and resource conservation, together with several decades of experience in industry-leading project design and construction, the Group has continued to fulfill its commitment to protect the natural environment across project planning and design by adopting appropriate measures based on actual topographical and geographical conditions and by refining design through introducing the concepts of land optimisation, energy and water conservation, material economisation, indoor environmental technology, green construction and operational management to precisely determine project positioning and development. Through active selection of innovative materials and construction technologies, the Group phases out the use of wasteful and serious polluting materials and construction method. The Group is imposing strict supervision and control over the suppliers and contractors on the environment effects. The Group is also increasing the weighting of environmental specifications and requirements in tender documentation in turn assisting each party to adopt low carbon production and operations.

The Group has promoted the wide application of green construction technology in its new residential projects. It has compiled "Research Report on Characteristics of Green Building", "Measures for the Promotion and Implementation of Green Building" and "Technical Guidelines for Green Building" for green construction, which have become landmark reference works for the Group to introduce green architectural design. Meanwhile, China Overseas Property Group was elected as the team leader of the Green Real Estate Group of the China Green Building Committee. A number of the Group's projects have attained LEED Certification and China's Star Rating Certification of Green Building during the year.

The Group has been active in launching various environmental protection measures in all communities, including separation of household wastes and recycling of used batteries. Future environmental initiatives was devised based on the status of their respective management setups and communities, in promoting of the themes of "Green Environmental Protection", "Low Carbon Living" and "Building a Green Home Together".

Accolades & Awards 2013

Accolades & Awards 2013 (continued)

Award Name	Awardee	Organization
Corporate Social Responsibility		
— 2013 China Corporate Social Responsibility Awards on Real Estate Enterprises (Leadership) — 2013 China Real Estate TOP 20 — 2013 Real Estate List Company Award — Best Financial Value	China Overseas Land & Investment Ltd. (China Overseas Property)	China Business News
2013 Corporate Governance Asia — Asia's Outstanding Company on Corporate Governance	China Overseas Land & Investment Ltd.	Corporate Governance Asia
2013 The Best Board of Director of Listed Companies in Hong Kong	China Overseas Land & Investment Ltd.	Moneyweek
Branding		
— No.1 in 2013 Chinese Real Estate Enterprise Brand Value TOP 50 — No.2 in 2013 Best Employer in Chinese Real Estate TOP 30	China Overseas Land & Investment Ltd. (China Overseas Property)	China Real Estate Research Association China Real Estate Association China Real Estate Appraisal
Leading Brand of China Real Estate Companies	China Overseas Land & Investment Ltd. (China Overseas Property)	Enterprise Research Institute of Development Research Center of State Council of PRC Institute of Real Estate Studies of Tsinghua University China Index Academy
2013 Most Valuable Chinese Real Estate Enterprises Ranking: — Annual Corporate Citizenship Award	China Overseas Land & Investment Ltd.	National Business Daily

Accolades & Awards 2013 (continued)

Award Name	Awardee	Organization
Overall performance		
The Asset Corporate Awards — Titanium Award (Financial Performance and Social Responsibility)	China Overseas Land & Investment Ltd.	The Asset
— Hong Kong Outstanding Enterprises — Outstanding Listed Companies Award — Overall Performance TOP 100	China Overseas Land & Investment Ltd.	Economic Digest
Ranking of Chinese Enterprises in Hong Kong Stock Market — Best Market Value Award	China Overseas Land & Investment Ltd.	Yazhou Zhoukan
2013 Most Valuable Chinese Real Estate Enterprises Ranking: — Value Real Estate Enterprise Award	China Overseas Land & Investment Ltd.	National Business Daily
Asia's Best Companies (China) 2013	China Overseas Land & Investment Ltd.	Finance Asia
2013 China Outstanding Real Estates — Blue Chip Real Estate Award	China Overseas Land & Investment Ltd.	Economic Digest
China Blue Chip Real Estate Developer	China Overseas Land & Investment Ltd. (China Overseas Property)	The Economic Observer, Sina Leju
Mainland China Real Estate Companies Listed in Hong Kong — No.2 in Top 10 Overall Ranking — No.1 in Top 10 Wealth Creating Capability — No.1 in Top 10 Financial Stability — No.1 in Top 10 Investment Value	China Overseas Land & Investment Ltd.	Enterprise Research Institute of Development Research Center of State Council of PRC Institute of Real Estate Studies of Tsinghua University China Index Academy
No.4 in 2013 China Real Estate Listed Companies Top 100 Ranking	China Overseas Land & Investment Ltd.	China Real Estate Research Association China Real Estate Association China Real Estate Appraisal
No.4 in China Real Estate Companies (Overall Performance) Top 10 — Top 10 Operational Scale — No.1 in Top 10 Profitability — No.1 in Top 10 Stability — Top 10 Financing Ability	China Overseas Land & Investment Ltd.	Enterprise Research Institute of Development Research Center of State Council of PRC Institute of Real Estate Studies of Tsinghua University China Index Academy

Accolades & Awards 2013 (continued)

Award Name	Awardee	Organization
Others		
2013 Galaxy Awards of The 24th Annual international Competition — Bronze Winner (Annual Reports — Overall Presentation: Real Estate Investment)	China Overseas Land & Investment Ltd.	MerComm, Inc.
2012 Vision Awards — Gold Award — 2012 Vision Awards — Top 50 Chinese Annual Report	China Overseas Land & Investment Ltd.	League of American Communications Professional
2013 International ARC Awards	China Overseas Land & Investment Ltd.	MerComm, Inc.
2012 China Best Employer — TOP 50 2012 China Best Employer — Best Employer in Property Industry	China Overseas Land & Investment Ltd.	ChinaHR.com
No.3 in 2013 Chinese Property Management Enterprise Brand Value	China Overseas Property Group Co., Ltd.	China Real Estate Research Association China Real Estate Association China Real Estate Appraisal
Annual Top 10 Design IDEA-KING Award in 2013 International Landscape Planning & Design Competition	Fuhua Lane, Zhuhai	International Landscape Design Industry Association
2013 Zhan Tianyou Award — Excellent Resident Gold Award 2013 Zhan Tianyou Award — Excellent Resident Outstanding Project	The Manor Park, Ningbo and Lagoon Manor, Beijing Edinburgh, International Community, Suzhou	China Civil Engineering Society

Investor Relations

Communication with shareholders and investors is a top priority for the Group, who is happy to listen to suggestions and answer any queries that might be raised. We have been and will continue to be committed to enhancing the transparency of Group information, with a view to improving our governance standards and our ability to deliver value to shareholders.

The Group handles investor relations through its Public Relations Department, which applies a multi-dimensional platform for information dissemination and communication with third parties. Through the Group web page, emails, the project visit appointment system and investors' meetings (by way of interviews, phone calls and video conferences, etc), we provide instant response to the requests of shareholders and investors. The frequency and effectiveness of our communication initiatives has been improving, while feedback from the capital market has also been effectively furnished to the management. Starting January 2013, the Group has revised the format of its operating information briefing to disclose monetary amounts and GFA in property sales for which contracts have not been signed, thereby further enhancing transparency and maintaining its leading edge in terms of the quality of information disclosure.

During the year, the Group organised analysts' meetings in respect of its interim and annual results announcement, which were simultaneously broadcasted to investors worldwide. The Group also held more than 20 investors' meetings, company visits for close to 300 visitors, close to 500 telephone conferences and 205 group visits to our property projects with more than 1,100 investors participating.

Investor Relations (continued)

Major Investor Relations Activities in 2013

Month	Activities
January	Nomura China Property Conference DB Access China Conference UBS Greater China Conference 2013
March–April	Announcement of 2012 annual results • Press conference • Briefing with analysts Post Results Roadshow
May	Macquarie Greater China Conference 18th CLSA China Forum Barclays Asia Financial & Property Conference 2013
June	J.P. Morgan's 9th Annual China Summit 2013 CITI Asia Pacific Property Conference
July	BAML Greater China Property Corporate Day Macquarie China Consumer/Property Corporate Day
August	Announcement of 2013 interim results • Press conference • Briefing with analysts Post Results Roadshow
September	CLSA Investors' Forum 2013
October	Jefferies 3rd Annual Asia Corporate Access Summit Hong Kong Credit Suisse China Forum
November	Goldman Sachs Greater China CEO Summit 2013 BAML 2013 China Conference Citi China Investor Conference 2013 CICC HK corporate day Daiwa Investment Conference Hong Kong 2013
December	BAML HK Corporate Day

Corporate Governance Report

(A) GENERAL

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

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

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

(B) CORPORATE GOVERNANCE PRACTICE

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

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

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

Since Mr. Kong Qingping resigned as Chairman of the Company with effect from 6 August 2013, Mr. Hao Jian Min ("**Mr. Hao**") performed the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. Based on the experience and qualification of Mr. Hao, the Board believes that the vesting of two roles to Mr. Hao would continue to provide the Group with stable and consistent leadership and continue to allow for effective and efficient planning and implementation of long term business strategies. Besides, the Board believes that the balance of power and authority will not be impaired by such arrangement as it is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

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

Messrs. Kong Qingping (resigned w.e.f. 6 August 2013), Luo Liang, Guo Yong and Wong Ying Ho, Kennedy due to commitment in the mainland China, were unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 30 May 2013. 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)* (resigned w.e.f. 6 August 2013)
Mr. Hao Jian Min	*(Chairman and Chief Executive Officer)*
Mr. Xiao Xiao	*(Vice Chairman)*
Mr. Chen Yi	(appointed w.e.f. 6 August 2013)
Mr. Dong Daping	(resigned w.e.f. 19 March 2013)
Mr. Luo Liang	
Mr. Nip Yun Wing	
Mr. Guo Yong	(appointed w.e.f. 19 March 2013)
Mr. Kan Hongbo	(appointed w.e.f. 19 March 2013)

Non-executive Director

Mr. Zheng Xuexuan

Independent Non-executive Directors

Dr. Li Kwok Po, David	(resigned w.e.f. 19 March 2013)
Mr. Lam Kwong Siu	
Dr. Wong Ying Ho, Kennedy	
Dr. Fan Hsu Lai Tai, Rita	
Mr. Li Man Bun, Brian David	(appointed w.e.f. 19 March 2013)

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 Rules 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 71 to 78 of the annual report.

C(b) Confirmation of Independence

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

Pursuant to the Code Provision A.4.3, serving more than nine years could be relevant to the determination of a Non-Executive Director's independence. Despite Mr. Lam Kwong Siu 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 recognize that there is no evidence that length of tenure is having an adverse impact on the independence of the Independent Non-Executive Director and the Directors are not aware of any circumstances that might influence any of 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 2013.

	Ways of Training	
Name	**Read Materials**	**Attend Seminars/Briefings**
Executive Directors		
Mr. Hao Jian Min	Yes	Yes
Mr. Xiao Xiao	Yes	Yes
Mr. Chen Yi	–	Yes
Mr. Luo Liang	Yes	Yes
Mr. Nip Yun Wing	Yes	Yes
Mr. Guo Yong	–	Yes
Mr. Kan Hongbo	–	Yes
Non-executive Director		
Mr. Zheng Xuexuan	Yes	–
Independent Non-executive Directors		
Mr. Lam Kwong Siu	Yes	Yes
Dr. Wong Ying Ho, Kennedy	Yes	Yes
Dr. Fan Hsu Lai Tai, Rita	Yes	Yes
Mr. Li Man Bun, Brian David	–	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 since Mr. Hao Jian Min ("**Mr. Hao**") was appointed Chief Executive Officer in June 2007. The Chairman is responsible for providing leadership in the Board to set strategies and achieve the Group's goals and his duties include: primarily responsible for ensuring that good corporate governance practices and procedures are established, overseeing and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; ensuring the availability of accurate, timely and clear information to induce effective contribution from the Board members; encouraging directors with different views to voice their concerns; allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus; promoting a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors; monitoring the execution of the Board's resolutions; and maintaining effective communication with shareholders. The Chief Executive Officer, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementing the strategies laid down by the Board. The management performs their duties in managing the actual operations of businesses. Mr. Hao was appointed Chairman of the Company on 6 August 2013 and was then responsible for both the duties of Chairman and Chief Executive Officer.

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

C(e) Directors' Responsibilities for the Financial Statements

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

(D) 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 misstatement or loss, to manage risks relating to failure in operational systems and to ensure achievement of the Group's objectives.

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

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 3 days prior to the meeting.

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

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:

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

* *Independent Non-Executive Director*

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

F(c) Nomination Committee

The Nomination Committee is composed as follows:

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

* *Independent Non-Executive Director*

The Nomination Committee is mainly responsible for making recommendations to the Board on matters related to the appointment or re-appointment of Directors and succession planning for directors as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-Executive Directors. During the year, the Board has adopted a Board Diversity Policy, effected on 6 August 2013, which provided that selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, educational background, professional experience, knowledge, culture and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review such policy, as appropriate, to ensure the effectiveness of the policy and will make recommendation to the Board of the amendment of the policy where necessary. During the year, the Nomination Committee has duly discharged the above duties. The procedures and the process and criteria regarding Appointment, Election and Removal of directors together with the Board Diversity Policy are available on the Company's website for the information of shareholders.

(G) ATTENDANCE AT BOARD OR COMMITTEE MEETINGS DURING THE YEAR 2013

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
	Number of meetings attended/ Number of meetings held during the term of office				
Executive Directors					
Mr. Kong Qingping (resigned w.e.f. 6 August 2013)	3/3	N/A	N/A	N/A	0/1
Mr. Hao Jian Min	5/5	N/A	N/A	N/A	1/1
Mr. Xiao Xiao	5/5	N/A	N/A	N/A	1/1
Mr. Chen Yi (appointed w.e.f. 6 August 2013)	2/2	N/A	N/A	N/A	N/A
Mr. Dong Daping (resigned w.e.f. 19 March 2013)	1/1	N/A	N/A	N/A	N/A
Mr. Luo Liang	4/5	N/A	N/A	N/A	0/1
Mr. Nip Yun Wing	5/5	N/A	N/A	N/A	1/1
Mr. Guo Yong (appointed w.e.f. 19 March 2013)	4/4	N/A	N/A	N/A	0/1
Mr. Kan Hongbo (appointed w.e.f. 19 March 2013)	3/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Zheng Xuexuan	4/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Dr. Li Kwok Po, David (resigned w.e.f. 19 March 2013)	1/1	1/1	2/2	1/1	N/A
Mr. Lam Kwong Siu	5/5	4/4	3/3	2/2	1/1
Dr. Wong Ying Ho, Kennedy	5/5	4/4	3/3	2/2	0/1
Dr. Fan Hsu Lai Tai, Rita	5/5	4/4	3/3	2/2	1/1
Mr. Li Man Bun, Brian David (appointed w.e.f. 19 March 2013)	3/4	3/3	1/1	1/1	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 2013.

(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$8,400,000 paid to the external auditor by the Group for audit service and HK$1,082,000 for other services, including reports relating to the issuance of guaranteed notes payable, continuing connected transactions, compliance of financial undertakings and preliminary announcement. During the year, the Group paid HK$10,000 to Deloitte Touche Tohmatsu, the Group's former auditor, for report relating to the issuance of guaranteed notes payable. The Board will table a resolution at the 2014 AGM, proposing to re-appoint PricewaterhouseCoopers as the external auditor for the ensuing year.

(J) SENIOR MANAGEMENT

As at year end date, there are 10 members of the Senior Management in the Company, their biographical details are set out on pages 79 to 80 of the report, and respective interests in shares of the Company as at 31 December 2013 are set out below:

Name of senior management	**Number of shares held**	**Percentage of issued share capital#**
Mr. Dong Daping	34,353	0.000%
Mr. Lin Xiaofeng	1,271,825	0.016%
Mr. Zhang Yi	1,095	0.000%
Mr. Qu Yonghai	0	0.000%
Mr. Qi Dapeng	0	0.000%
Ms. Wang Qi	10,000	0.000%
Mr. Ouyang Guoxin	0	0.000%
Mr. Zhang Guiqing	80,000	0.001%
Mrs. Bai Min	20,000	0.000%
Mrs. Sheng Ye	0	0.000%
Total	1,417,273	0.017%

\# *The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2013 (8,172,616,172 ordinary shares).*

(K) RELATIONS WITH SHAREHOLDERS

K(a) Substantial Shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2013 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 "Shareholders' Information and Financial Calendar" section of this report.

Report of Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2013.

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 joint ventures are set out in notes 48, 20 and 21 respectively to the financial statements.

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 2013 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 130 and 131 respectively.

An interim dividend of HK18 cents per share was paid on 9 September 2013. The board of directors recommends the payment of a final dividend of HK29 cents per share (2012: HK24 cents per share) to shareholders whose names appear on the Register of Members of the Company on 13 June 2014. Together with the interim dividend of HK18 cents per share (2012: HK15 cents per share and a special dividend of HK2 cents per share for celebrating the 20th listing anniversary of the Company), dividends for the year will amount to a total of HK47 cents per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 3 July 2014.

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 135 and note 37 respectively to the financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 219 and 220.

MAJOR PROPERTIES

Details of the major property development and property investment of the Group at 31 December 2013 are set out on pages 51, 55 and 57.

TANGIBLE FIXED ASSETS

The Group's investment properties were revalued at the reporting date. The revaluation resulted in a net increase in fair value of HK$3,438,106,000 which has been credited directly to the consolidated income statement.

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

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 36 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

Analysis of bank borrowings and guaranteed notes payable are set out in notes 38 and 39 respectively to the financial statements.

Interest capitalised by the Group during the year in respect of property development and investment properties under construction amounted to approximately HK$2,098,830,000.

DIRECTORS

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

Executive Directors

Mr. Kong Qingping	*(Chairman)* (resigned w.e.f. 6 August 2013)
Mr. Hao Jian Min	*(Chairman and Chief Executive Officer)*
Mr. Xiao Xiao	*(Vice Chairman)*
Mr. Chen Yi	(appointed w.e.f. 6 August 2013)
Mr. Dong Daping	(resigned w.e.f. 19 March 2013)
Mr. Nip Yun Wing	
Mr. Luo Liang	
Mr. Guo Yong	(appointed w.e.f. 19 March 2013)
Mr. Kan Hongbo	(appointed w.e.f. 19 March 2013)

Non-executive Director

Mr. Zheng Xuexuan

Independent Non-executive Directors

Dr. Li Kwok Po, David	(resigned w.e.f. 19 March 2013)
Mr. Lam Kwong Siu	
Dr. Wong Ying Ho, Kennedy	
Dr. Fan Hsu Lai Tai, Rita	
Mr. Li Man Bun, Brian David	(appointed w.e.f. 19 March 2013)

Report of Directors (continued)

In accordance with Article 105(A) and Article 96 of the Company's Articles of Association, Mr. Chen Yi (appointed w.e.f. 6 August 2013), Mr. Luo Liang, Mr. Nip Yun Wing, Mr. Zheng Xuexuan and Mr. Lam Kwong Siu 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 notes 13 and 46 to the financial statements. Due to the increase of monthly salary of Mr. Nip Yun Wing effective from 1 February 2014, the fixed annual remuneration of Mr. Nip Yun Wing will be changed to HK$2,899,200. Due to the increase of monthly salary of Mr. Hao Jian Min and Mr. Chen Yi effective from 1 March 2014, the fixed annual remuneration of Mr. Hao Jian Min and Mr. Chen Yi will be changed to HK$5,390,000 and RMB1,269,600 respectively. 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 71 to 80 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 2013:

		Number of underlying shares comprised in options				
	Date of Grant	Outstanding at 01.01.2013	Adjustment/ Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2013
Aggregate of employees other than Director of the Company*	18.06.2004 (vi)	2,815,763	–	(97,095)	–	**2,718,668**

* *Represents employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance. Included in figures as at 1 January 2013 and 31 December 2013 was 1,359,334 held by Mr. Kong Qingping who resigned as Director of the Company with effect from 6 August 2013.*

(2) At 31 December 2013, the options granted to subscribe for 2,718,668 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 2013.

As at the date of this annual report, 2,718,668 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 2013, options to subscribe for a total of 97,095 Shares of the Company were exercised on 23 April 2013 and the weighted average closing price immediately before the exercise was HK$22.73.

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 36 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 2013, 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. Hao Jian Min	3,353,172	0	3,353,172	0.0410%
Mr. Xiao Xiao	1,022,064	0	1,022,064	0.0125%
Mr. Guo Yong	200,000	0	200,000	0.0024%
Mr. Kan Hongbo	696,800	0	696,800	0.0085%
Mr. Li Man Bun, Brian David	5,460,000	0	5,460,000	0.0668%

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

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

Name of director	Number of shares held	Total	% of shares in issue *(Notes 5 and 6)*
— China State Construction Engineering Corporation Limited			
Mr. Zheng Xuexuan	360,000	360,000	0.001%
Mr. Chen Yi	320,000	320,000	0.001%
— China Overseas Grand Oceans Group Limited			
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 2013 (i.e. 8,172,616,172 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 2013 (i.e. 3,888,744,651 shares).*

5. *The percentage has been adjusted, where applicable, based on the total number of shares of China State Construction Engineering Corporation Limited in issue as at 31 December 2013 (i.e. 30,000,000,000 shares).*

6. *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 2013 (i.e. 2,282,239,894 shares)*

Besides, Messrs. Xiao Xiao, Luo Liang and Li Man Bun, Brian David held respectively 1,879,278; 3,531,469 and 4,101,080 shares in China State Construction International Holdings Limited (“CSCIHL”), associated corporation of the Company. Messrs. Hao Jian Min and Xiao Xiao also held respectively 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. Hao Jian Min, Xiao Xiao, Luo Liang and Li Man Bun, Brian David respectively are 959,247; 2,838,525; 3,531,469 and 4,101,080, representing 0.025%, 0.073%, 0.091% and 0.105% 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 2013, 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.

Report of Directors (continued)

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 (resigned w.e.f. 6 August 2013), Hao Jian Min, Xiao Xiao, Chen Yi (appointed w.e.f. 6 August 2013), Zheng Xuexuan, Dong Daping (resigned w.e.f. 19 March 2013), Luo Liang, Guo Yong (appointed w.e.f. 19 March 2013) and Kan Hongbo (appointed w.e.f. 19 March 2013) 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 2013, 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.	86,546,585	51,786,840	281,768,348	6.88%	0.63%	3.45%	Beneficial owner
	194,189,624	–	–				Investment manager
	281,768,348	–	–				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 2013 (i.e. 8,172,616,172 shares).*

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

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

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 2013.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2013, the five largest customers of the Group accounted for less than 30% of the Group's turnover. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

CONNECTED, CONTINUING CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected, continuing connected and related party transactions are set out on pages 118 to 127. Save as the related party transactions disclosed in note 46 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$74 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$3,800,000.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2013 and 2012 were audited by Messrs. PricewaterhouseCoopers ("**PwC**") while those for the year ended 31 December 2011 was audited by Messrs. Deloitte Touche Tohmatsu.

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

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in note 47 to the financial statements.

On behalf of the Board

Hao Jian Min
Chairman and Chief Executive Officer

Hong Kong, 13 March 2014

Connected, Continuing Connected and Related Party Transactions

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) CSCECL Group Engagement Agreement (dated 30 March 2010)

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 period from 1 January 2013 to 30 June 2013, the total contract sum awarded to the CSCECL Group under the CSCECL Group Engagement Agreement was RMB1,096.9 million (1 January 2012 to 31 December 2012: RMB2,685.0 million) which did not exceed the cap of RMB2,500 million.

As the CSCECL Group Engagement Agreement was expired on 30 June 2013, new agreement been entered into by the same parties to the agreement on 15 April 2013, particulars as per paragraph (3) below.

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

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

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

Connected, Continuing Connected and Related Party Transactions (continued)

The directors believe that continuing to provide security services to the work sites of the CSC Group in Hong Kong upon successful tender allows the COLI Group to secure a more diverse base of customers for its security services. Pursuant to the 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 瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermoelectricity Company Limited ("**SHTCL**"), a company incorporated in the PRC and is a wholly-owned subsidiary of CSC) is capable to provide connection services for heating pipes. Pursuant to the New Master Heating Pipes Connection Services Agreement, CSC (through SHTCL) shall provide connection services for heating pipes for the Project(s), within three years and subject to the cap as shown in the table above, by entering into further implementation agreements, which set out the detailed terms in relation to connection services for heating pipes for the Project(s). The terms under further implementation agreements will be negotiated on an arm's length basis between the parties. Services to be provided under this 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 year, the total contract sum awarded to the CSC Group under the New Master CSC Group Engagement Agreement was HK$86.6 million (1 July 2012 to 31 December 2012: HK$21.3 million) which did not exceed the cap of HK$800 million.

During the year, the rental paid by the CSC Group under the New Master Lease Agreement was HK$14.8 million (1 July 2012 to 31 December 2012: HK$7.4 million) which did not exceed the cap of HK$18 million.

During the year, the total contract sum awarded by the CSC Group to the Group under the New Master Security Services Agreement was HK$16.2 million (1 July 2012 to 31 December 2012: HK$9.0 million) which did not exceed the cap of HK$50 million.

During the year, the total contract sum awarded to CSC under the New Master Heating Pipes Connection Services Agreement was HK$95.3 million which did not exceed the cap of HK$100 million. During the year 2012, no contract was awarded to CSC under the New Master Heating Pipes Connection Services Agreement as it took effect from 1 January 2013.

(3) New Master CSCECL Group Engagement Agreement (dated 15 April 2013)

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

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

Particulars of the aforementioned new agreement are as follows:

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

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

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

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

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

During the period from 1 July 2013 to 31 December 2013, the total contract sum awarded to the CSCECL Group under the New Master CSCECL Group Engagement Agreement was RMB1,002.2 million which did not exceed the cap of RMB2,500 million.

(4) Master Design Consultancy Services Agreement (dated 19 August 2013)

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

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

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

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

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

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

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

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

During the period from 1 September 2013 to 31 December 2013, the total contract sum awarded to Huayi under the Master Design Consultancy Services Agreement was RMB57.4 million which did not exceed the cap of RMB85 million.

Subsequent to the year under review and up to 13 March 2014 (being the date of the Report of Directors), 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:

(5) Entrusted Management Agreement (dated 28 January 2014)

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

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

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

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

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

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

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

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

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

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

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

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

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 entered into or carried out in the year 2013 and mentioned in items (1) to (4) above, 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 118 to 125 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 46 to the financial statements. Certain items under item (a) therein also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 130 to 218, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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

Independent Auditor's Report (continued)

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 2013, 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, 13 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Turnover	7	**82,469,081**	64,580,694
Cost of sales		**(53,182,545)**	(37,574,299)
Direct operating expenses		**(2,464,519)**	(2,281,192)
		26,822,017	24,725,203
Other income and gains	9	**904,461**	730,881
Gain arising from changes in fair value of and transfer to investment properties	16	**3,438,106**	3,650,820
Selling and distribution costs		**(1,247,262)**	(842,440)
Administrative expenses		**(1,569,769)**	(1,194,135)
Operating profit		**28,347,553**	27,070,329
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	41	**1,458,176**	–
Share of profits of			
Associates		**838,117**	339,515
Joint ventures		**2,935,195**	2,297,976
Finance costs	10	**(290,363)**	(285,602)
Profit before tax		**33,288,678**	29,422,218
Income tax expenses	11	**(10,109,752)**	(10,589,747)
Profit for the year	12	**23,178,926**	18,832,471
Attributable to:			
Owners of the Company		**23,043,712**	18,722,221
Non-controlling interests		**135,214**	110,250
		23,178,926	18,832,471
DIVIDENDS	14		
Interim dividend paid		**1,471,071**	1,225,878
Final dividend proposed		**2,370,059**	1,961,428
		3,841,130	3,187,306
Special dividend paid		**–**	163,450
		3,841,130	3,350,756
		HK$	*HK$*
EARNINGS PER SHARE	15		
Basic		**2.82**	2.29
Diluted		**2.81**	2.29

	2013 HK$'000	2012 HK$'000
Group turnover	**82,469,081**	64,580,694
Share of turnover of joint ventures	**18,003,412**	13,327,177
	100,472,493	77,907,871

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
Profit for the year	**23,178,926**	18,832,471
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of the Company and subsidiaries	**2,582,366**	(75,875)
Exchange differences on translation of joint ventures	**417,860**	(12,165)
	3,000,226	(88,040)
Items that may be reclassified to profit or loss		
Exchange differences on translation of associates	**140,679**	20,750
Change in fair value of investments in syndicated property project companies	**538**	(4,407)
	141,217	16,343
Other comprehensive income for the year	**3,141,443**	(71,697)
Total comprehensive income for the year	**26,320,369**	18,760,774
Total comprehensive income attributable to:		
Owners of the Company	**26,158,834**	18,650,988
Non-controlling interests	**161,535**	109,786
	26,320,369	18,760,774

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current Assets			
Investment properties	16	**32,531,661**	23,657,327
Property, plant and equipment	17	**1,371,196**	975,862
Prepaid lease payments for land	18	**156,373**	161,996
Interests in associates	20	**4,496,092**	3,612,633
Interests in joint ventures	21	**11,434,403**	13,579,848
Investments in syndicated property project companies	22	**18,907**	18,369
Amounts due from joint ventures	23	**2,843,910**	5,317,039
Pledged bank deposits	25	**68,179**	51,436
Goodwill	42	**109,021**	109,021
Deferred tax assets	40	**2,277,091**	2,073,652
		55,306,833	49,557,183
Current Assets			
Inventories	26	**28,906**	24,238
Stock of properties	27	**160,952,085**	108,479,874
Land development expenditure	28	**3,409,653**	3,271,962
Prepaid lease payments for land	18	**7,978**	5,105
Trade and other receivables	29	**2,430,978**	2,598,854
Deposits and prepayments		**5,521,776**	3,838,625
Deposits for land use rights for property development		**19,835,111**	14,136,292
Amounts due from associates	30	**200,441**	196,947
Amounts due from joint ventures	30	**5,000,978**	5,453,479
Amounts due from non-controlling interests	30	**526,852**	440,712
Tax prepaid		**1,889,656**	941,005
Bank balances and cash	31	**41,411,223**	40,880,412
		241,215,637	180,267,505

Consolidated Statement of Financial Position (continued)

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Current Liabilities			
Trade and other payables	32	**21,523,324**	16,916,629
Pre-sales deposits		**61,414,386**	40,506,159
Rental and other deposits		**1,202,760**	816,645
Amounts due to fellow subsidiaries	33	**353,501**	353,501
Amounts due to associates	33	**280,596**	228,520
Amounts due to joint ventures	33	**5,651,284**	4,590,819
Amounts due to non-controlling interests	35	**842,221**	–
Tax liabilities		**16,357,023**	15,017,622
Bank borrowings — due within one year	38	**3,302,733**	5,545,557
		110,927,828	83,975,452
Net Current Assets		**130,287,809**	96,292,053
Total Assets Less Current Liabilities		**185,594,642**	145,849,236
Capital and Reserves			
Share capital	36	**817,262**	817,252
Reserves		**109,153,321**	86,426,887
Equity attributable to owners of the Company		**109,970,583**	87,244,139
Non-controlling interests		**1,079,813**	312,817
Total Equity		**111,050,396**	87,556,956
Non-current Liabilities			
Bank borrowings — due after one year	38	**36,708,758**	32,095,339
Guaranteed notes payable	39	**32,688,088**	21,147,701
Amounts due to non-controlling interests	35	**581,634**	2,017,849
Deferred tax liabilities	40	**4,565,766**	3,031,391
		74,544,246	58,292,280
		185,594,642	145,849,236

The financial statements on pages 130 to 218 were approved and authorised for issue by the Board of Directors on 13 March 2014 and are signed on its behalf by:

Hao Jian Min
DIRECTOR

Xiao Xiao
DIRECTOR

Company Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current Assets			
Property, plant and equipment	17	**7,247**	9,864
Investments in subsidiaries	19	**1,907,276**	2,391,573
Amounts due from subsidiaries	24	**5,821,447**	1,110,872
		7,735,970	3,512,309
Current Assets			
Stock of properties	27	**1,351**	1,351
Other receivables	29	**21,257**	11,903
Deposits and prepayments		**20,544**	16,895
Amounts due from subsidiaries	24	**56,729,356**	48,604,425
Tax prepaid		**118**	118
Bank balances and cash	31	**10,718,836**	6,633,092
		67,491,462	55,267,784
Current Liabilities			
Other payables	32	**43,064**	43,874
Other deposits		**169**	172
Amounts due to subsidiaries	34	**17,766,070**	3,949,228
Tax liabilities		**18,643**	18,643
Bank borrowings — due within one year	38	**2,399,655**	4,534,210
Other financial liabilities	25	**104,242**	118,296
		20,331,843	8,664,423
Net Current Assets		**47,159,619**	46,603,361
Total Assets Less Current Liabilities		**54,895,589**	50,115,670
Capital and Reserves			
Share capital	36	**817,262**	817,252
Reserves	37	**24,765,172**	23,777,917
Total Equity		**25,582,434**	24,595,169
Non-current Liabilities			
Bank borrowings — due after one year	38	**28,848,163**	25,043,045
Other financial liabilities	25	**464,992**	477,456
		29,313,155	25,520,501
		54,895,589	50,115,670

Hao Jian Min
DIRECTOR

Xiao Xiao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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 2012	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 on translation of the Company and subsidiaries	–	–	–	–	–	–	(75,411)	–	–	(75,411)	(464)	(75,875)
Exchange differences on translation of joint ventures	–	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	–	–	23,043,712	23,043,712	135,214	23,178,926
Exchange differences on translation of the Company and subsidiaries	–	–	–	–	–	–	2,556,045	–	–	2,556,045	26,321	2,582,366
Exchange differences on translation of joint ventures	–	–	–	–	–	–	417,860	–	–	417,860	–	417,860
Exchange differences on translation of associates	–	–	–	–	–	–	140,679	–	–	140,679	–	140,679
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	538	–	–	–	538	–	538
Total comprehensive income for the year	–	–	–	–	–	538	3,114,584	–	23,043,712	26,158,834	161,535	26,320,369
2012 final dividend paid	–	–	–	–	–	–	–	–	(1,961,428)	(1,961,428)	–	(1,961,428)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	785,934	785,934
Issue of shares upon exercise of share options	10	118	–	(19)	–	–	–	–	–	109	–	109
2013 interim dividend paid	–	–	–	–	–	–	–	–	(1,471,071)	(1,471,071)	–	(1,471,071)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(134,274)	(134,274)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(206,856)	–	206,856	–	–	–
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(46,199)	(46,199)
Release of exchange reserve of joint ventures upon acquisitions	–	–	–	–	–	–	(299,473)	–	299,473	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	222,014	(222,014)	–	–	–
At 31 December 2013	**817,262**	**18,796,190**	**18,798**	**500**	**22,950**	**18,863**	**10,495,239**	**2,060,638**	**77,740,143**	**109,970,583**	**1,079,813**	**111,050,396**

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 2013

	NOTE	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**33,288,678**	29,422,218
Adjustments for:			
Share of profits of associates		**(838,117)**	(339,515)
Share of profits of joint ventures		**(2,935,195)**	(2,297,976)
Finance costs		**290,363**	285,602
Depreciation and amortisation		**109,401**	52,505
Interest income		**(659,354)**	(329,562)
Gain arising from changes in fair value of and transfer to investment properties		**(3,438,106)**	(3,650,820)
Fair value remeasurement of the Group's previously held equity interest in certain joint ventures immediately prior to acquisitions		**(1,458,176)**	–
Loss on disposal of property, plant and equipment		**277**	5,872
Operating cash flows before movements in working capital		**24,359,771**	23,148,324
(Increase)/decrease in inventories		**(3,910)**	6,440
Increase in stock of properties		**(22,902,653)**	(7,765,675)
Increase in land development expenditure		**(35,312)**	(384,899)
Increase in trade and other receivables, deposits and prepayments		**(570,289)**	(2,729,546)
Increase in deposits for land use rights for property development		**(19,405,073)**	(14,062,155)
Decrease in restricted bank balances		**496,666**	336,924
Increase in trade and other payables, pre-sales deposits, and rental and other deposits		**17,715,345**	16,653,199
Cash (used in)/generated from operations		**(345,455)**	15,202,612
Income taxes paid		**(9,741,021)**	(8,152,698)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(10,086,476)**	7,049,914
INVESTING ACTIVITIES			
Interest received		**659,354**	317,226
Dividends received from joint ventures		**1,749,584**	894,580
Increase in pledged bank deposits		**(16,743)**	(34,090)
Purchase of property, plant and equipment		**(482,050)**	(116,846)
Increase in prepaid lease payments for land		**–**	(38)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	41	**(822,934)**	–
Additions of investment properties		**(4,094,498)**	(1,586,559)
Addition investment in an associate		**–**	(8,939)
Advances to an associate		**–**	(44,075)
Repayments from joint ventures		**1,407,919**	2,017,765
Advances to non-controlling interests		**(72,350)**	(139,506)
Capital contribution to a joint venture		**(31,529)**	–
Capital distribution from a joint venture		**528,446**	95,553
Dividends received from associates		**95,337**	97,025
Net proceeds on disposal of property, plant and equipment		**18,628**	13,516
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(1,060,836)**	1,505,612

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(2,267,198)**	(1,744,964)
Other finance costs paid		**(105,980)**	(64,468)
Dividends paid		**(3,432,499)**	(3,023,832)
Dividends paid to non-controlling interests		**(134,274)**	(76,049)
New bank loans raised		**15,265,658**	16,047,580
Repayment of bank loans		**(13,154,100)**	(11,002,696)
Issue of guaranteed notes		**11,524,372**	13,444,228
Issue of shares upon exercise of share options		**109**	–
Repayment of guaranteed notes		**–**	(2,340,000)
Return of capital to non-controlling interests		**(46,199)**	(4,305)
Advances from/(repayment to) an associate		**44,926**	(41,913)
Advances from joint ventures		**3,311,645**	1,377,173
Contributions from non-controlling interests		**29,996**	10,370
Advances from non-controlling interests		**121,848**	919,795
NET CASH FROM FINANCING ACTIVITIES		**11,158,304**	13,500,919
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10,992**	22,056,445
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**39,879,598**	17,841,478
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**985,170**	(18,325)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**40,875,760**	39,879,598
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**41,411,223**	40,880,412
Less: restricted bank balances	31	**(535,463)**	(1,000,814)
		40,875,760	39,879,598

Notes to the Financial Statements

For the year ended 31 December 2013

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

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, real estate 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 (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The application of the above new or revised HKFRSs in the current year has had no material impact on the Group's results and financial position except for certain disclosures in respect of amendments to HKAS 1, HKFRS 12 and HKFRS 13.

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 19	Employee Benefits: Defined Benefit Plans — Employees Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HK(IFRIC)-Int 21	Levies[1]
Annual Improvements Project	Annual Improvements 2010 – 2012 Cycle[2]
Annual Improvements Project	Annual Improvements 2011 – 2013 Cycle[2]

1 *Effective for annual periods beginning on or after 1 January 2014*
2 *Effective for annual periods beginning on or after 1 January 2015*
3 *Effective for annual periods beginning on or after 1 January 2016*
4 *Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised*

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties 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).

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

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

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

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

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

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

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

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

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

Investments in Subsidiaries

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

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

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 associates 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 policies adopted by the Group.

Joint Ventures

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

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

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint ventures. 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)*

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

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

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

Investment Properties

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

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

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

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

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

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.

Impairment losses on Tangible and Intangible Assets other than Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments

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

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

Financial Assets

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

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, associates, joint ventures and non-controlling interests, pledged bank deposits 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*
Impairment of financial assets (continued)
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.

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity Instruments *(continued)*
Financial liabilities (including trade and other payables, amounts due to associates, joint ventures, non-controlling interests, subsidiaries and fellow subsidiaries, bank borrowings and guaranteed notes payable) are measured at amortised cost, using the effective interest method.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form 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.

Financial Guarantee Contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group or the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group or the Company measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy in profit or loss.

Derecognition
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock of Properties

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

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 land parcels in Beijing such as road construction, demolition and resettlement work, and other directly 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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign Currencies *(continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group and the Company as lessees
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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasehold Land and Building *(continued)*

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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

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)*

Construction Contract Income

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost.

Real Estate 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.

Dividend Distribution

Dividend distribution of the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

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.

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

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

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2013 at their fair values of approximately HK$32,532 million (2012: HK$23,657 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.

(b) Impairment of Investments in and Amounts due from Joint Ventures

Management assessed the recoverability of the Group's investments in and amounts due from joint ventures undertaking property development projects in the PRC with an aggregate carrying amount of approximately HK$11,434 million (2012: HK$13,580 million) and HK$7,845 million (2012: HK$10,771 million) respectively included in the consolidated statement of financial position at 31 December 2013.

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 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 2013 is stock of properties with an aggregate carrying amount of approximately HK$160,952 million (2012: HK$108,480 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 a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(d) Land Appreciation Tax ("LAT")

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and all property development expenditure.

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provisions for 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 borrowings and guaranteed notes payable disclosed in notes 38 and 39, respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserves.

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

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net gearing ratio. For this purpose, the Group defines net debt as total debt less bank balances 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 net gearing ratio at the year end were as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Bank borrowings	**40,011,491**	37,640,896
Guaranteed notes payable	**32,688,088**	21,147,701
Total debt	**72,699,579**	58,788,597
Less: Bank balances and cash	**(41,479,402)**	(40,931,848)
Net debt	**31,220,177**	17,856,749
Equity attributable to owners of the Company	**109,970,583**	87,244,139
Net gearing ratio	**28.4%**	20.5%

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables at amortised cost (including cash and cash equivalents)	**52,482,561**	54,938,879	**73,290,896**	56,360,292
Available-for-sale financial assets (investments in syndicated property project companies)	**18,907**	18,369	**–**	–
Financial liabilities				
Liabilities at amortised cost	**101,932,139**	82,895,915	**49,056,952**	33,570,357
Financial guarantee contracts	**–**	–	**569,234**	595,752

b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, bank borrowings, trade and other receivables, trade and other payables, amounts due from/to affiliated companies and bank balances. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

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 joint ventures and amounts due to non-controlling interests, amounting to approximately HK$40,011 million (2012: HK$37,641 million), approximately HK$765 million (2012: HK$702 million) and approximately HK$622 million (2012: HK$403 million), respectively. The Company's cash flow interest rate risk relates to its variable-rate bank loans amounting to approximately HK$31,248 million (2012: HK$29,577 million). The variable-rate bank loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. 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 amount due from a joint venture, guaranteed notes payable, and amounts due to non-controlling interests, amounting to approximately HK$458 million (2012: nil), approximately HK$32,688 million (2012: HK$21,148 million) and approximately HK$220 million (2012: HK$422 million), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rate amounts due from subsidiaries amounting to HK$2,264 million (2012: nil). 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/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

THE GROUP

If interest rates had been 100 (2012: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2013 would decrease/increase by HK$48,453,000 (2012: HK$57,101,000) after capitalising of finance costs in properties under development of HK$350,235,000 (2012: HK$316,312,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans, amounts due from joint ventures and amounts due to non-controlling interests.

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 (2012: 100) basis point higher/lower and all other variables were held constant, the Company's profit before tax for the year ended 31 December 2013 would decrease/increase by HK$312,478,000 (2012: HK$295,773,000). 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 undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group and the Company currently do 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 amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
HK$	**3,983,058**	2,827,855	**7,954,306**	1,492,850
United States dollars ("US$")	**9,136,299**	10,091,159	**6,058,639**	4,635,863
Liabilities				
HK$	**30,998,339**	30,402,071	**30,789,857**	32,886,453
US$	**33,504,317**	21,860,001	**501,025**	500,000

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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 expose to the currency risk of US$ and HK$. The following details the Group's and the Company's sensitivity to a 5% (2012: 5%) increase and decrease in the RMB against US$ and HK$, respectively. 5% (2012: 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% (2012: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, receivables, payables, bank borrowings and guaranteed notes payable in currencies other than the functional currencies of the group entities. Certain guaranteed notes payable denominated in US$ expose to foreign currency exchange rate risk against HK$. As HK$ is pegged to US$, management considered the foreign currency exchange risk exposed to these US$ guaranteed notes payable is insignificant.

THE GROUP

For a 5% (2012: 5%) weakening of RMB against the US$ or HK$ and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2013 would decrease/increase by HK$219,112,000 (2012: HK$205,328,000) after capitalising exchange gain/loss in properties under development of HK$1,583,810,000 (2012: HK$1,137,420,000). This is mainly attributable to the Group's exposure to outstanding bank balances, receivables, payables, bank borrowings and guaranteed notes payable at the end of the reporting period.

THE COMPANY

For a 5% (2012: 5%) weakening of RMB against the US$ or HK$ and all other variables were held constant, the Company's profit before tax for the year ended 31 December 2013 would decrease/increase by HK$863,897,000 (2012: HK$1,362,887,000). This is mainly attributable to the Company's exposure to outstanding bank balances, receivables, payables and bank borrowings at the end of the reporting period.

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

6. FINANCIAL INSTRUMENTS *(continued)*

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

(ii) Credit risk

As at 31 December 2013, 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 45.

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 associates, joint ventures and non-controlling interests, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the associates, joint ventures 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 loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk

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

The Group relies on bank loans and guaranteed notes payable as a significant source of liquidity. As at 31 December 2013, the Group has available unutilised loan facilities of approximately HK$8,756 million (2012: HK$8,224 million) as disclosed in note 38.

The following tables analyse 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 floating rate, the undiscounted amount is derived from flat rate at the end of the reporting period.

THE GROUP

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013						
Trade and other payables	**19,107,436**	**1,169,917**	**515,024**	**1,271,941**	**22,064,318**	**21,523,324**
Amounts due to fellow subsidiaries	**353,501**	**–**	**–**	**–**	**353,501**	**353,501**
Amounts due to associates	**280,596**	**–**	**–**	**–**	**280,596**	**280,596**
Amounts due to joint ventures	**5,651,284**	**–**	**–**	**–**	**5,651,284**	**5,651,284**
Amounts due to non-controlling interests	**882,636**	**581,634**	**–**	**–**	**1,464,270**	**1,423,855**
Bank borrowings — variable-rate	**4,430,567**	**23,897,915**	**13,816,344**	**–**	**42,144,826**	**40,011,491**
Guaranteed notes payable	**1,320,229**	**1,635,433**	**13,754,077**	**35,169,823**	**51,879,562**	**32,688,088**
Financial guarantee contracts	**15,701,346**	**470,618**	**763,165**	**–**	**16,935,129**	**–**
	47,727,595	**27,755,517**	**28,848,610**	**36,441,764**	**140,773,486**	**101,932,139**

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk *(continued)*

THE GROUP *(continued)*

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December 2012 *HK$'000*
2012						
Trade and other payables	15,608,873	802,217	505,539	–	16,916,629	16,916,629
Amounts due to fellow subsidiaries	353,501	–	–	–	353,501	353,501
Amounts due to associates	228,520	–	–	–	228,520	228,520
Amounts due to joint ventures	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
Bank 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

THE COMPANY

	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$'000***	**Carrying amount at 31 December 2013** ***HK$'000***
2013						
Other payables	**43,064**	**–**	**–**	**–**	**43,064**	**43,064**
Amounts due to subsidiaries	**17,766,070**	**–**	**–**	**–**	**17,766,070**	**17,766,070**
Bank borrowings — variable-rate	**3,001,956**	**18,225,823**	**11,233,266**	**–**	**32,461,045**	**31,247,818**
Financial guarantee contracts	**1,165,516**	**3,832,018**	**12,974,722**	**23,265,000**	**41,237,256**	**569,234**
	21,976,606	**22,057,841**	**24,207,988**	**23,265,000**	**91,507,435**	**49,626,186**

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk *(continued)*

THE COMPANY *(continued)*

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2012 HK$'000
2012						
Other payables	43,874	–	–	–	43,874	43,874
Amounts due to subsidiaries	3,949,228	–	–	–	3,949,228	3,949,228
Bank 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

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if that amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffers credit losses.

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.

c. Fair value

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

- The fair value of investments in syndicated property project companies is estimated by reference to the fair value of the properties held by these companies;
- The fair value of financial guarantee contracts is determined using discounted cash flow models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default; and
- The fair value of other financial assets and other financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Other than the guaranteed notes payable that is disclosed in note 39, 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).

THE GROUP

	Investments in syndicated property project companies *HK$'000*
At 1 January 2012	22,776
Change in fair value of investments in syndicated property project companies	(4,407)
At 31 December 2012	18,369
Change in fair value of investments in syndicated property project companies	538
At 31 December 2013	18,907

The fair value of the above financial instrument is measured using unobservable inputs (Level 3). There were no changes in valuation techniques during the year.

THE COMPANY

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

7. TURNOVER

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

	2013 **HK$'000**	2012 HK$'000
Proceeds from properties development activities	**78,614,818**	61,406,977
Property rentals	**857,512**	584,845
Revenue from real estate agency and management services	**1,768,469**	1,325,923
Other income *(Note)*	**1,228,282**	1,262,949
	82,469,081	64,580,694

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 management of the Group, 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 joint ventures. The analysis of the Group's share of turnover of joint ventures and the share of results of joint ventures by reportable segments are regularly provided to the management of the Group for the purpose of performance assessment as they forms 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 joint ventures (in addition to the HKFRS consolidated income statement and in this note to the financial statements), together with the share of results of joint ventures by reportable segments enables the readers to better understand how management oversees the results and performance of the joint ventures in the property development segment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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 joint ventures by reportable segments.

Year ended 31 December 2013

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Segments total** *HK$'000*
Segment turnover — from external customers	**78,614,818**	**857,512**	**2,996,751**	**82,469,081**
Group's share of turnover of joint ventures	**18,003,412**	**–**	**–**	**18,003,412**
Turnover of the Group and Group's share of turnover of joint ventures	**96,618,230**	**857,512**	**2,996,751**	**100,472,493**
Segment profit (including share of profits of associates and joint ventures)	**27,315,745**	**4,203,779**	**221,085**	**31,740,609**
Group's share of profit of joint ventures	**2,935,195**	**–**	**–**	**2,935,195**

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 joint ventures	13,327,177	–	–	13,327,177
Turnover of the Group and Group's share of turnover of joint ventures	74,734,154	584,845	2,588,872	77,907,871
Segment profit (including share of profits of associates and joint ventures)	25,151,999	4,146,927	136,534	29,435,460
Group's share of profit of joint ventures	2,297,976	–	–	2,297,976

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 joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of interest income on bank deposits, fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions, 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.

	2013 *HK$'000*	2012 *HK$'000*
Reportable segment profit	**31,740,609**	29,435,460
Unallocated items:		
Interest income on bank deposits	**538,264**	269,923
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	**1,458,176**	–
Corporate expenses	**(170,843)**	(75,595)
Finance costs	**(290,363)**	(242,813)
Net foreign exchange gains	**12,835**	35,243
Profit before tax	**33,288,678**	29,422,218

Segment assets and liabilities

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

At 31 December 2013

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Segments total** *HK$'000*
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	**220,712,789**	**32,713,062**	**1,685,396**	**255,111,247**
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	**(106,984,618)**	**(4,011,123)**	**(1,776,754)**	**(112,772,495)**

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

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 joint ventures) *(Note a)*	163,664,640	23,717,307	1,562,329	188,944,276
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	(78,733,529)	(3,138,608)	(1,606,998)	(83,479,135)

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

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

	2013 HK$'000	2012 HK$'000
Reportable segment assets	**255,111,247**	188,944,276
Unallocated items:		
Bank balances and cash	**41,411,223**	40,880,412
Consolidated total assets	**296,522,470**	229,824,688
Reportable segment liabilities	**(112,772,495)**	(83,479,135)
Unallocated items:		
Bank borrowings	**(40,011,491)**	(37,640,896)
Guaranteed notes payable	**(32,688,088)**	(21,147,701)
Consolidated total liabilities	**(185,472,074)**	(142,267,732)

Notes:

(a) Segment assets include interests in and amounts due from joint ventures of HK$11,434,403,000 (2012: HK$13,579,848,000) and HK$7,844,888,000 (2012: HK$10,770,518,000) respectively.

(b) Segment liabilities include amounts due to joint ventures of HK$5,651,284,000 (2012: HK$4,590,819,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

8. SEGMENT INFORMATION *(continued)*

Other Segment information

Year ended 31 December 2013

	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)*	**435,312**	**4,094,498**	**46,738**	**4,576,548**
Loss on disposal of property, plant and equipment	**62**	**1**	**214**	**277**
Depreciation and amortisation	**34,884**	**3,574**	**70,943**	**109,401**
Gain arising from changes in fair value of investment properties	**–**	**3,438,106**	**–**	**3,438,106**
Interest income on amounts due from joint ventures	**121,065**	**–**	**–**	**121,065**
Share of profits of associates	**838,117**	**–**	**–**	**838,117**

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 amortisation	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 joint ventures	47,260	–	–	47,260
Interest income on amounts due from associates	12,336	–	–	12,336
Share of profits of associates	339,515	–	–	339,515

Note: *Non-current assets exclude financial instruments, investments in syndicated property project companies, interests in associates, interests in joint ventures 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hua Nan Region	**26,425,297**	10,363,906	**4,169,236**	3,417,552
Hua Dong Region	**12,378,852**	12,470,651	**2,419,037**	1,479,376
Hua Bei Region	**12,261,619**	14,145,340	**14,431,379**	10,225,846
Northern Region	**13,972,593**	10,119,014	**2,136,781**	742,484
Western Region	**11,997,427**	15,183,032	**6,353,567**	4,858,880
Hong Kong	**5,421,687**	2,287,491	**4,465,356**	4,008,560
Macau	**11,606**	11,260	**192,895**	171,508
	82,469,081	64,580,694	**34,168,251**	24,904,206

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

Information about major customers

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

9. OTHER INCOME AND GAINS

	2013 HK$'000	2012 HK$'000
Other income and gains include:		
Interest on bank deposits	**538,264**	269,923
Interest income on amounts due from		
— associates	**–**	12,336
— joint ventures	**121,065**	47,260
Other interest income	**25**	43
Total interest income	**659,354**	329,562
Net foreign exchange gains	**12,835**	35,243

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank loans and guaranteed notes wholly repayable within five years	**1,428,259**	1,025,710
Interest on guaranteed notes not wholly repayable within five years	**854,954**	734,733
Other finance costs	**105,980**	107,257
Total finance costs	**2,389,193**	1,867,700
Less: Amount capitalised	**(2,098,830)**	(1,582,098)
	290,363	285,602

Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 3.23% (2012: 3.12%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	2013 **HK$'000**	2012 HK$'000
Current tax:		
Hong Kong profits tax	**155,117**	156,547
PRC Enterprise Income Tax ("EIT")	**5,266,821**	4,785,151
PRC withholding income tax	**195,945**	146,462
PRC Land Appreciation Tax ("LAT")	**4,065,491**	5,009,322
	9,683,374	10,097,482
Under/(over)-provision in prior years:		
Hong Kong profits tax	**5,179**	(3,258)
Macau income tax	**139**	(733)
EIT	**(5,859)**	(5,720)
LAT	**(62,474)**	–
	(63,015)	(9,711)
Deferred tax (note 40):		
Current year	**489,393**	501,976
Total	**10,109,752**	10,589,747

Hong Kong profits tax is calculated at 16.5% (2012: 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%.

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% (2012: 12%) in Macau.

Details of deferred tax are set out in note 40.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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:

	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**33,288,678**	29,422,218
Tax at the applicable tax rate of 25% (2012: 25%)	**8,322,170**	7,355,555
PRC withholding income tax	**195,945**	146,462
LAT	**4,065,491**	5,009,322
Tax effect of LAT	**(1,016,373)**	(1,252,331)
Tax effect of share of results of associates and joint ventures	**(943,328)**	(659,373)
Tax effect of expenses not deductible for tax purpose	**141,678**	269,317
Tax effect of income not taxable for tax purpose	**(633,795)**	(180,296)
Over-provision in prior years	**(63,015)**	(9,711)
Tax effect of tax losses not recognised	**89,861**	63,460
Utilisation of tax losses previously not recognised	**(34,307)**	(84,186)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	**32,544**	6,534
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(84,456)**	(93,467)
Others	**37,337**	18,461
Income tax expenses for the year	**10,109,752**	10,589,747

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

12. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
Audit services	**8,400**	7,420
Non-audit services	**1,092**	1,970
	9,492	9,390
Business tax and other levies	**4,272,615**	3,458,810
Depreciation of property, plant and equipment	**101,423**	49,614
Amortisation of prepaid lease payments for land	**7,978**	2,891
Staff costs including directors' emoluments *(Note)*	**1,264,452**	981,675
Rental expenses in respect of land and buildings under operating leases	**53,432**	50,610
Share of tax of		
Associates	**251,295**	23,545
Joint ventures	**1,488,313**	1,299,747
Loss on disposal of property, plant and equipment	**277**	5,872
Cost of stock of properties recognised as expenses	**49,047,465**	34,310,711
Cost of inventories recognised as expenses	**383,961**	291,391
Rental income in respect of investment properties under operating leases, net of outgoings of HK$92,024,000 (2012: HK$77,344,000)	**(765,488)**	(507,501)

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$74 million (2012: HK$49 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

13. DIRECTORS' EMOLUMENTS

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

		Year ended 31 December 2013				
	Notes	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*
Executive Directors						
Kong Qingping	*(i)*	–	4,438	–	10	4,448
Hao Jian Min		–	5,659	3,029	15	8,703
Xiao Xiao		–	5,397	2,951	15	8,363
Chen Yi	*(ii)*	–	484	2,724	–	3,208
Dong Daping	*(iii)*	–	256	–	–	256
Luo Liang		–	1,439	9,231	10	10,680
Nip Yun Wing		–	2,741	1,700	15	4,456
Guo Yong	*(iv)*	–	824	5,561	10	6,395
Kan Hongbo	*(iv)*	–	815	6,005	10	6,830
Non-executive Director						
Zheng Xuexuan		300	–	–	–	300
Independent Non-executive Directors						
Li Kwok Po, David	*(iii)*	76	–	–	–	76
Li Man Bun, Brian David	*(iv)*	284	–	–	–	284
Lam Kwong Siu		250	–	–	–	250
Wong Ying Ho, Kennedy		360	–	–	–	360
Fan Hsu Lai Tai, Rita		360	–	–	–	360
		1,630	22,053	31,201	85	54,969

13. DIRECTORS' EMOLUMENTS *(continued)*

		Year ended 31 December 2012				
	Notes	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*
Executive Directors						
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
Luo Liang		–	1,307	7,901	–	9,208
Nip Yun Wing		–	2,610	1,697	14	4,321
Lin Xiaofeng	*(v)*	–	582	3,611	–	4,193
Non-executive Directors						
Wu Jianbin	*(v)*	335	–	–	–	335
Chen Bin	*(vi)*	61	–	–	–	61
Zheng Xuexuan		300	–	–	–	300
Independent Non-executive Directors						
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

Notes:

(i) Resigned w.e.f 6 August 2013

(ii) Appointed w.e.f 6 August 2013

(iii) Resigned w.e.f 19 March 2013

(iv) Appointed w.e.f 19 March 2013

(v) Resigned w.e.f 11 August 2012

(vi) Resigned w.e.f 16 March 2012

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, three (2012: four) were directors of the Company whose emoluments are included above. The emolument of the remaining two (2012: one) individuals was set out in note 46.

No directors waived any emoluments in both years ended 31 December 2013 and 31 December 2012.

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 2013 and 31 December 2012.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

14. DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Dividend recognised as distributions during the year		
Interim dividend paid in respect of financial year ended 31 December 2013 of HK18 cents (2012: financial year ended 31 December 2012 interim dividend of HK15 cents and a special dividend of HK2 cents) per share	**1,471,071**	1,389,328
Final dividend paid in respect of financial year ended 31 December 2012 of HK24 cents (2012: financial year ended 31 December 2011 final dividend of HK20 cents) per share	**1,961,428**	1,634,504
	3,432,499	3,023,832

The final dividend of HK29 cents in respect of the financial year ended 31 December 2013 (2012: final dividend of HK24 cents in respect of the financial year ended 31 December 2012) per share, amounting to approximately HK$2,370,059,000 (2012: approximately HK$1,961,428,000) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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:

	2013 **HK$'000**	2012 *HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**23,043,712**	18,722,221
Adjustment to the profit of the Group based on dilutive earnings per share of China Overseas Grand Oceans Group Limited ("COGO") *(Note)*	**(83,141)**	(17,398)
Earnings for the purpose of diluted earnings per share	**22,960,571**	18,704,823

	2013 **'000**	2012 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,172,586**	8,172,519
Effect of dilutive potential ordinary shares		
Share options	**2,614**	2,638
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,175,200**	8,175,157

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

16. INVESTMENT PROPERTIES

	Completed		Under construction	
	The PRC	Hong Kong & Macau	The PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
FAIR VALUE				
At 1 January 2012	9,473,383	3,456,750	4,835,239	17,765,372
Additions of land cost and construction costs	24,727	3,523	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)*	1,602,990	618,783	1,429,047	3,650,820
Exchange realignment	(2,918)	–	(4,022)	(6,940)
At 31 December 2012	11,947,546	4,111,200	7,598,581	23,657,327
Additions of land cost and construction costs	–	–	4,094,498	4,094,498
Transfer upon completion	747,901	–	(747,901)	–
Transfer from completed properties	590,356	–	–	590,356
Gain arising from changes in fair value of investment properties	1,698,013	159,500	1,580,593	3,438,106
Exchange realignment	414,185	–	337,189	751,374
At 31 December 2013	15,398,001	4,270,700	12,862,960	32,531,661

Note: The amount in 2012 included HK$317,036,000 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	
	2013	2012
	HK$'000	*HK$'000*
Investment properties:		
In Hong Kong		
Long-term leases	**730,400**	717,000
Medium-term leases	**3,352,300**	3,233,200
In Macau		
Medium-term leases	**188,000**	161,000
In the PRC		
Medium-term leases	**28,260,961**	19,546,127
	32,531,661	23,657,327

Valuation processes of the Group

The fair values of the investment properties, including both land and building elements held by the Group at 31 December 2012 and 2013 have been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited.

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

The Group's finance team review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least twice a year.

At each reporting period the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

16. INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs

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

The valuation for investment properties under construction was arrived at by making reference to comparable sales as available in the relevant market. The construction cost incurred, estimated construction cost to complete the development, discount rate and estimated developer's profit as at the date of valuation are also taken into account.

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

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2013 *HK$'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in PRC	12,862,960	Residual method	Discount rate	5.6% – 6.2%
			Estimated costs to completion	RMB1,900–RMB7,000 per square meter
			Estimated developer's profit	13% – 27%
Completed investment properties in PRC	15,398,001	Investment approach	Prevailing market rents	RMB100 – RMB400 per square meter per month
			Reversionary yield	5.5% – 9.0%
Completed investment properties in Hong Kong and Macau	4,270,700	Investment approach	Prevailing market rents	HK$25 – HK$60 per square feet per month
			Reversionary yield	2.4% – 5.0%

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Reversionary yield is estimated by the independent valuer based on the risk profile of the properties being valued. The higher the yield, the lower the fair value.

Estimated costs to completion and developer's profit required are estimated by the independent valuer based on market conditions at 31 December 2013. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and developer's profits, the lower the fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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 2012	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
Exchange realignment	–	3,587	22,586	1,979	8,002	36,154
Additions	–	399,812	–	10,992	71,246	482,050
Acquisition of subsidiaries (note 41)	–	–	–	43	3,900	3,943
Disposals	–	–	–	(637)	(38,065)	(38,702)
At 31 December 2013	–	609,272	645,185	105,544	355,248	1,715,249
DEPRECIATION						
At 1 January 2012	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
Exchange realignment	–	1,236	642	333	4,274	6,485
Provided for the year	–	13,596	31,464	7,815	48,548	101,423
Eliminated on disposals	–	–	–	(407)	(19,390)	(19,797)
At 31 December 2013	–	59,670	32,106	50,022	202,255	344,053
CARRYING VALUES						
At 31 December 2013	**–**	**549,602**	**613,079**	**55,522**	**152,993**	**1,371,196**
At 31 December 2012	–	161,035	622,599	50,886	141,342	975,862

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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

	Furniture, fixtures, office equipment and motor vehicles *HK$'000*
THE COMPANY	
COST	
At 1 January 2012	24,274
Additions	9,158
Disposals	(8,310)
At 31 December 2012	25,122
Additions	643
Disposals	(1,321)
At 31 December 2013	24,444
DEPRECIATION	
At 1 January 2012	23,202
Provided for the year	239
Eliminated on disposals	(8,183)
At 31 December 2012	15,258
Provided for the year	1,965
Eliminated on disposals	(26)
At 31 December 2013	17,197
CARRYING VALUES	
At 31 December 2013	**7,247**
At 31 December 2012	9,864

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

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

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
In Hong Kong		
Long-term leases	**1,038**	1,129
Medium-term leases	**369,410**	40,970
In the PRC		
Medium-term leases	**792,233**	741,535
	1,162,681	783,634

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land in Hong Kong	Over the lease terms
Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Hotel buildings	20 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

18. PREPAID LEASE PAYMENTS FOR LAND

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Land use rights in the PRC		
Medium-term leases	**164,351**	167,101
Analysed for reporting purposes as		
Non-current asset	**156,373**	161,996
Current asset	**7,978**	5,105
	164,351	167,101

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	*HK$'000*
Investments in subsidiaries, unlisted	**1,907,276**	2,391,573

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

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Cost of investments		
Listed in Hong Kong	**2,862,287**	2,862,287
Unlisted	**97,131**	97,131
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,536,674**	653,215
	4,496,092	3,612,633
Market value of the interest in the listed associate	**6,404,917**	8,077,649

Set out below are the particulars of the principal associates at 31 December 2013 and 2012. In the opinion of the directors of the Company, to give details of other associates would result in particulars of excessive length.

Name of entity	**Place of incorporation**	**Place of operation**	**Proportion of nominal value of issued ordinary capital/registered capital indirectly held**		**Principal activities**
			2013	2012	
COGO*	Hong Kong	PRC	**37.98%**	37.98%	Property development and investment and investment holding
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	PRC	**40%**	40%	Property development and trading

* *COGO is listed in the Main Board of the Hong Kong Stock Exchange.*

All of these associates are accounted for using the equity method in these consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

20. INTERESTS IN ASSOCIATES *(continued)*

Set out below is the associate of the Group as at 31 December 2013, which, in the opinion of the directors of the Company, is material to the Group.

Summarised statement of financial position

	COGO	
	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*
Current		
Cash and cash equivalents	**7,093,362**	5,982,086
Other current assets	**32,486,228**	22,278,040
Total current assets	**39,579,590**	28,260,126
Financial liabilities (excluding trade payables)	**(4,604,090)**	(3,604,495)
Other current liabilities (including trade payables)	**(13,104,529)**	(12,184,467)
Total current liabilities	**(17,708,619)**	(15,788,962)
Non-current		
Total non-current assets	**3,421,638**	2,684,417
Financial liabilities	**(11,713,355)**	(5,104,986)
Other liabilities	**(1,307,590)**	(1,441,497)
Total non-current liabilities	**(13,020,945)**	(6,546,483)
Net assets	**12,271,664**	8,609,098

20. INTERESTS IN ASSOCIATES *(continued)*

Summarised statement of comprehensive income

	COGO	
	2013	2012
	HK$'000	*HK$'000*
Revenue	**15,905,893**	9,716,902
Depreciation and amortisation	**(16,623)**	(11,807)
Interest income	**81,018**	48,902
Interest expense	**(19,480)**	(8,590)
Profit before tax	**5,143,797**	3,810,261
Income tax expenses	**(1,761,144)**	(1,324,622)
Profit for the year	**3,382,653**	2,485,639
Other comprehensive income	**478,176**	29,800
Total comprehensive income	**3,860,829**	2,515,439
Dividends received from associates	**95,337**	72,225

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the associate

	COGO	
	2013	2012
	HK$'000	*HK$'000*
Opening net assets at 1 January	**9,791,738**	9,079,319
Profit for the year *(Note)*	**2,304,124**	847,554
Other comprehensive income *(Note)*	**453,153**	55,052
Dividends paid	**(277,351)**	(190,187)
Closing net assets at 31 December *(Note)*	**12,271,664**	9,791,738
Non-controlling interests	**(966,840)**	(780,608)
Equity attributable to owners of the company	**11,304,824**	9,011,130
Interest in associate %	**37.98%**	37.98%
Interest in associate	**4,293,572**	3,422,427
Carrying value at 31 December	**4,293,572**	3,422,427

Note: Profit before tax, income tax expenses and profit for the year of COGO for the years ended 31 December 2013 and 2012 and net assets of COGO as at 31 December 2012 have been adjusted for impact of fair value adjustments of stock of properties and related taxes recognised upon acquisition of COGO in 2010 and deemed disposal of COGO in 2011. Share of results of COGO, after fair value adjustments, amounting to HK$833,754,000 (2012: HK$342,402,000) during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

20. INTERESTS IN ASSOCIATES *(continued)*

Aggregate information of associates that are not individually material

	2013 **HK$'000**	2012 HK$'000
The Group's share of profit	**4,363**	(2,887)
The Group's share of other comprehensive income	**7,951**	(160)
The Group's share of total comprehensive income	**12,314**	(3,047)
Aggregate carrying amount of the Group's interests in these associates	**202,520**	190,206

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

21. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2013 **HK$'000**	2012 HK$'000
Cost of investments, unlisted	**7,283,044**	10,245,760
Share of post-acquisition profits and other comprehensive income, net of dividends received	**4,151,359**	3,334,088
	11,434,403	13,579,848

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

21. INTERESTS IN JOINT VENTURES *(continued)*

Set out below are the particulars of the principal joint ventures at 31 December 2013 and 2012. In the opinion of the directors of the Company, to give details of other joint ventures would result in particulars of excessive length. These joint ventures are established and operating in the PRC, unless otherwise indicated.

	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group		
Name of entity	**2013**	2012	**Principal activities**
Elite Mind International Limited*	**60%^**	60%^	Investment Holding
重慶嘉江房地產開發有限公司	**60%^**	60%^	Property development
Speedy Champ Investments Limited*	**45%^**	45%^	Investment Holding
重慶豐盈房地產開發有限公司	**45%^**	45%^	Property development
Kingtron Enterprises Limited*	**50%**	50%	Investment holding
海墅房地產開發(杭州)有限公司	**50%**	50%	Property development
Fast Right Investments Limited*	**50%**	50%	Investment holding
杭州世茂世盈房地產開發有限公司	**50%**	50%	Property development
Empire Land Investments Limited*	**50%**	50%	Investment holding
重慶嘉益房地產開發有限公司	**50%**	50%	Property development
天津贏超房地產開發有限公司	**50%**	50%	Property development
Rebound Capital Limited**	**50%**	50%	Investment holding
冠泉企業有限公司*	**50%**	50%	Investment holding
冠泉置業(寧波)有限公司	**50%**	50%	Property development
深圳中海信和地產開發有限公司	**50%**	50%	Property development
Big Profit Enterprises Limited **	**50%**	50%	Investment holding
上海中海海軒房地產有限公司	**50%**	50%	Property development
寧波中海和協置業發展有限公司	**50%**	50%	Property development
杭州中海雅戈爾房地產有限公司	**50%**	50%	Property development
山東中海華創地產有限公司	**60%^**	60%^	Property development
寧波茶亭置業有限公司	**35%^**	35%^	Property development

21. INTERESTS IN JOINT VENTURES *(continued)*

Name of entity	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group 2013	2012	Principal activities
Harmony China Real Estate Fund, L.P. ***	–	28%^	Investment holding
Novel Wisdom Limited ** *(Note)*	–	53%^	Investment holding
中海地產(瀋陽)有限公司 *(Note)*	–	77%^	Property development
Ring Tide Limited ***(Note)*	–	78%^	Investment holding
中海地產(青島)投資開發有限公司 *(Note)*	–	78%^	Property development
中海鼎業(西安)房地產有限公司 *(Note)*	–	78%^	Property development
上海海創房地產有限公司	**50%**	50%	Property development
蘇州中海雅戈爾房地產有限公司	**51%^**	51%^	Property development
武漢榮業房地產有限公司	**50%**	50%	Property development
蘇州依湖置業有限公司	**50%**	–	Property development

* *Incorporated in Hong Kong and has its principal place of business in Hong Kong*

** *Incorporated in the British Virgin Islands and has its principal place of business in Hong Kong*

*** *Incorporated in the Cayman Islands and has liquidated in 2013*

^ *The Group exercises joint control over decisions about the relevant activities require unanimous consent with other joint venture partners in accordance with joint venture agreements and/or the companies' Articles, and accordingly, these companies have been accounted for as joint ventures.*

Note: *The Group acquired the remaining interests in the joint ventures in 2013 and these joint ventures became wholly-owned subsidiaries of the Group. Details have been set out in note 41.*

All of these joint ventures are accounted for using the equity method in these consolidated financial statements. In the opinion of the directors of the Company, there are no individually material joint ventures.

Aggregate information of joint ventures that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profit	**2,935,195**	2,297,976
The Group's share of other comprehensive income	**417,860**	(12,165)
The Group's share of total comprehensive income	**3,353,055**	2,285,811
Aggregate carrying amount of the Group's interests in these joint ventures	**11,434,403**	13,579,848

The contingent liabilities relating to the Group's interests in joint ventures are disclosed in note 45.

22. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES

	THE GROUP	
	2013 **HK$'000**	2012 *HK$'000*
Unlisted		
Available-for-sale equity investments, at fair value	**18,907**	18,369

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 JOINT VENTURES UNDER NON-CURRENT ASSETS

	THE GROUP					
	2013			2012		
	Interest-free **HK$'000**	**Interest bearing** **HK$'000**	**Total** **HK$'000**	Interest-free *HK$'000*	Interest bearing *HK$'000*	Total *HK$'000*
Amounts due from joint ventures	**2,079,344**	**764,566**	**2,843,910**	4,614,658	702,381	5,317,039

At 31 December 2013, the interest bearing amounts due from joint ventures bear variable interest rates ranging from 6.34% to 6.73% (2012: 6.73% to 6.81%) per annum.

All the non-current amounts due from joint ventures are unsecured and not expected to be repaid within one year after the end of the reporting period. At the end of the reporting period, all amounts due from joint ventures are denominated in US$, which is foreign currency of the relevant group entities.

24. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY				
	2013			2012	
	Interest-free	**Interest bearing**	**Total**	Interest-free	Total
	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	**3,557,805**	**2,263,642**	**5,821,447**	1,110,872	1,110,872
Unsecured and repayable on demand included in current assets	**56,729,356**	**–**	**56,729,356**	48,604,425	48,604,425

Included in the balance are amounts due from subsidiaries of HK$5,821,447,000 (2012: HK$1,110,872,000) expected not to be realised within twelve months from the end of the reporting period and are classified as non-current assets.

At the end of the reporting period, the interest bearing amount due from a subsidiary carries fixed interest rate of 5.5% per annum.

At the end of the reporting period, the Company has amounts due from subsidiaries of HK$4,432,177,000 (2012: HK$75,917,000) denominated in HK$, the foreign currency of the Company.

25. PLEDGED BANK DEPOSITS AND OTHER FINANCIAL LIABILITIES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Pledged bank deposits, included in non-current assets *(Note a)*	**68,179**	51,436	**–**	–
Other financial liabilities				
Financial guarantee contracts due *(Note b)*				
— within one year	**–**	–	**104,242**	118,296
— more than one year, but not exceeding two years	**–**	–	**99,364**	111,949
— more than two years, but not exceeding five years	**–**	–	**202,618**	207,444
— over five years	**–**	–	**163,010**	158,063
	–	–	**569,234**	595,752
Less: Amounts classified as current liabilities	**–**	–	**(104,242)**	(118,296)
Amounts classified as non-current liabilities	**–**	–	**464,992**	477,456

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 rates ranging from of 0.35% to 0.50% (2012: 0.35% 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 45.

26. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Raw materials and consumables, at cost	**28,906**	24,238

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

27. STOCK OF PROPERTIES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Completed properties	**19,423,715**	14,360,341	**1,351**	1,351
Properties under development *(Note)*	**141,528,370**	94,119,533	**–**	–
Total stock of properties	**160,952,085**	108,479,874	**1,351**	1,351

Note: Included in the amount are properties under development for sale of HK$92,127,569,000 (2012: HK$54,123,056,000) not expected to be realised within twelve months from the end of the reporting period.

28. LAND DEVELOPMENT EXPENDITURE

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Cost incurred	**3,409,653**	3,271,962

The Group, together with independent third parties, entered into agreements ("Agreements") with the Beijing local government to jointly redevelop some lands in Beijing. The Group is responsible for the land development works, which included but is not limited to the removal of the existing buildings situated on the land, the relocation of the existing residents, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. Pursuant to the Agreements, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed returns irrespective of whether the Group will obtain the land use rights of the land in the future. In January 2013, certain portion of land has been obtained by the Group. It is expected that part of the land development will be completed and ready for public tenders or auction in 2014. At 31 December 2013, the cost incurred for the land development is HK$3,409,653,000 (2012: HK$3,271,962,000).

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables, aged				
0–30 days	**1,568,853**	1,518,323	**–**	–
31–90 days	**124,518**	159,060	**–**	–
Over 90 days	**254,271**	316,577	**–**	–
	1,947,642	1,993,960	**–**	–
Other receivables	**483,336**	604,894	**21,257**	11,903
	2,430,978	2,598,854	**21,257**	11,903

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 no significant trade receivable balances which are past due at the end of the reporting period.

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

30. AMOUNTS DUE FROM ASSOCIATES/JOINT VENTURES/NON-CONTROLLING INTERESTS UNDER CURRENT ASSETS

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

At 31 December 2013, except for the unsecured amount due from a joint venture of approximately HK$457,899,000 (2012: nil) which carries interest at fixed rate of 7.32% per annum and repayable on demand, the remaining amounts due from joint ventures are 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$535,463,000 (2012: HK$1,000,814,000) 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% (2012: 0.01% to 4.20%) 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash denominated in:				
HK$	**3,983,075**	2,477,704	**3,500,872**	1,405,029
US$	**6,292,389**	4,774,120	**6,058,639**	4,635,863

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables, aged				
0–30 days	**6,871,308**	4,853,870	**–**	–
31–90 days	**1,690,877**	929,074	**–**	–
Over 90 days	**4,315,527**	5,194,664	**–**	–
	12,877,712	10,977,608	**–**	–
Other payables	**2,852,189**	2,274,325	**43,064**	43,874
Retentions payable	**5,793,423**	3,664,696	**–**	–
	21,523,324	16,916,629	**43,064**	43,874

Other payables mainly include other taxes payable and sundry accrued charges.

Of the other payables and retentions payable, an amount of approximately HK$2,416 million (2012: HK$1,308 million) is due beyond twelve months from the end of the reporting period.

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

The amounts due to fellow subsidiaries, associates and joint ventures of the Group are unsecured, interest-free and repayable on demand.

34. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

35. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

At 31 December 2013, amounts due to non-controlling interests amounting to HK$621,944,000 under current liabilities are unsecured and bear interest at variable rates at a range from 5.60% to 7.20% per annum, the remaining balances are unsecured and bear interest at fixed rates at a range from 7.07% to 8.64% per annum.

At 31 December 2013, amounts due to non-controlling interests of HK$581,634,000 (2012: HK$1,192,607,000) under non-current liabilities are interest free. At 31 December 2012, included in the amounts due to non-controlling interests amounting to HK$422,442,000 carried interest at fixed rate of 8.64% per annum and HK$402,800,000 carried interest at variable rate of 7.20% per annum. All the amounts due to non-controlling interests under non-current liabilities are unsecured and repayment will not be demanded within one year from the end of the reporting period.

36. SHARE CAPITAL

	THE COMPANY			
	2013		2012	
	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	**8,172,519**	**817,252**	8,172,519	817,252
Issue of shares upon exercise of share options	**97**	**10**	–	–
At end of the year	**8,172,616**	**817,262**	8,172,519	817,252

36. 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".

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

36. 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 2013	Movements during the year — Exercised	At 31 December 2013: Outstanding	At 31 December 2013: Exercisable	Weighted average closing price of shares immediately before the date of exercise HK$
18 June 2004	18 June 2005– 17 June 2014	1.118	2,815,763	(97,095)	2,718,668	2,718,668	22.73

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	Weighted average closing price of shares immediately before the 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

36. SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

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 — Reclassified *(Note)*	Outstanding at 31 December
2013	**1,359,334**	**(1,359,334)**	**–**
2012	1,359,334	–	1,359,334

Note: Reclassification is required due to the resignation of relevant director during the year.

37. 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 2012	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
Profit and total comprehensive income for the year	–	–	–	786,192	3,633,463	4,419,655
Issue of shares upon exercise of share options	118	–	(19)	–	–	99
2012 final dividend paid	–	–	–	–	(1,961,428)	(1,961,428)
2013 interim dividend paid	–	–	–	–	(1,471,071)	(1,471,071)
At 31 December 2013	**18,796,190**	**18,798**	**500**	**1,969,042**	**3,980,642**	**24,765,172**

The Company's reserves available for distribution to shareholders at 31 December 2013 represent the retained profits of approximately HK$3,981 million (2012: approximately HK$3,780 million).

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

38. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans — unsecured	**40,011,491**	37,640,896	**31,247,818**	29,577,255

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The bank loans are repayable as follows:				
Within one year	**3,302,733**	5,545,557	**2,399,655**	4,534,210
More than one year, but not exceeding two years	**23,272,063**	5,037,397	**17,929,275**	2,396,795
More than two years, but not exceeding five years	**13,436,695**	27,057,942	**10,918,888**	22,646,250
Total bank loans	**40,011,491**	37,640,896	**31,247,818**	29,577,255
Less: Amounts classified as current liabilities	**(3,302,733)**	(5,545,557)	**(2,399,655)**	(4,534,210)
Amounts classified as non-current liabilities	**36,708,758**	32,095,339	**28,848,163**	25,043,045

Borrowings of the Group with carrying amount of HK$8,763,673,000 (2012: HK$8,063,641,000) bear interest at a range from 6.15% to 6.77% (2012: 5.85% to 7.30%) per annum and are denominated in Renminbi. Borrowing of the Group and the Company amounting to HK$501,025,000 (2012: HK$500,000,000), which is denominated in US$, is based on LIBOR plus a specified margin. The remaining borrowings of the Group and the Company amounting to HK$30,746,793,000 (2012: HK$29,077,255,000), which are denominated in Hong Kong dollars, are based on HIBOR plus a specified margin. The effective interest rates of the Group's and the Company's borrowings are 2.80% and 1.96% respectively (2012: 2.93% and 2.07% respectively) per annum.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

38. BANK BORROWINGS *(continued)*

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**30,746,793**	29,077,255	**30,746,793**	29,077,255
US$	**501,025**	500,000	**501,025**	500,000

At 31 December 2013, the Group had available undrawn borrowing facilities approximately HK$8,756 million (2012: HK$8,224 million) in respect of which all conditions precedent had been met.

39. GUARANTEED NOTES PAYABLE

As at 31 December 2013 and 2012, the Group issued the following guaranteed notes with similar terms and conditions and different features:

Issued date	Principal amount	Issue price	Fixed interest rate per annum payable semi-annually	Maturity date	Fair value as at 31 December 2013	Carrying amount 2013	Carrying amount 2012
	(in million)				*(HK$ million)*	***HK$'000***	*HK$'000*
10 November 2010	US$1,000 (approximately HK$7,760)	100%	5.5%	10 November 2020	8,044	**7,699,380**	7,696,397
15 February 2012	US$750 (approximately HK$5,836)	99.816%	4.875%	15 February 2017	6,161	**5,792,568**	5,786,510
15 November 2012	US$700 (approximately HK$5,430)	99.665%	3.95%	15 November 2022	4,781	**5,368,510**	5,363,455
15 November 2012	US$300 (approximately HK$2,327)	99.792%	5.35%	15 November 2042	1,947	**2,301,616**	2,301,339
29 October 2013	US$500 (approximately HK$3,877)	99.613%	3.375%	29 October 2018	3,768	**3,844,119**	–
29 October 2013	US$500 (approximately HK$3,877)	99.595%	5.375%	29 October 2023	3,736	**3,842,790**	–
29 October 2013	US$500 (approximately HK$3,877)	99.510%	6.375%	29 October 2043	3,555	**3,839,105**	–
						32,688,088	21,147,701

39. GUARANTEED NOTES PAYABLE *(continued)*

The above notes payable are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which includes, inter alia, the negative pledge given by the Company and the related subsidiaries. The fair values of the notes payable as at 31 December 2013 were determined based on the closing market prices of the notes payable at that date and are within level 1 of the fair value hierarchy.

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 joint ventures	Provision for LAT	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As 1 January 2012	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
Acquisition of subsidiaries (note 41)	–	–	791,606	–	–	–	791,606
Charged (credited) to profit or loss	3,326	817,399	(228,918)	32,544	(134,958)	–	489,393
Reclassification upon transfer from completed properties to investment properties	–	55,903	(55,903)	–	–	–	–
Exchange realignment	–	94,763	23,655	–	(68,481)	–	49,937
At 31 December 2013	**48,347**	**3,585,581**	**530,440**	**401,398**	**(2,277,091)**	**–**	**2,288,675**

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	
	2013	2012
	HK$'000	*HK$'000*
Deferred tax assets	**(2,277,091)**	(2,073,652)
Deferred tax liabilities	**4,565,766**	3,031,391
	2,288,675	957,739

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$2,053 million (2012: HK$1,393 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$5,310 million (2012: HK$5,229 million) available for offsetting 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$815 million (2012: HK$697 million) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company had unused tax losses of approximately HK$234 million (2012: HK$272 million) available for offsetting 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. ACQUISITION OF SUBSIDIARIES

On 28 May 2013, China Overseas (Zhong Guo) Limited ("COZG"), an indirectly wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Harmony China Real Estate Fund, L.P. (the "Fund"), pursuant to which COZG agreed to purchase and the Fund agreed to sell relating to the sale and purchase of (i) the entire issued share capital of Popular Merit Limited ("Popular Merit") and related shareholder's loan, (ii) 30% of the entire issued share capital of Ring Tide Limited ("Ring Tide") and related shareholder's loan, and (iii) 65% of the entire issued share capital of Novel Wisdom Limited ("Novel Wisdom") and related shareholder's loan at a total cash consideration of approximately HK$2,814,552,000 (equivalent to US$362,700,000), including consideration for the shareholders' loans of approximately HK$1,641,993,000 (equivalent to US$211,597,000). Upon completion, Popular Merit, Ring Tide and Novel Wisdom became wholly-owned subsidiaries of the Company. The acquisition was completed in May 2013.

Popular Merit is an investment holding company which indirectly holds 30% interest in 中海鼎業(西安)房地產有限公司 ("Xi'an Project Company"), a company established in the PRC and is principally engaged in property development in Xi'an city, the PRC. Ring Tide is an investment holding company which indirectly holds 100% interest in 中海地產(青島)投資開發有限公司 ("Qingdao Project Company"), a company established in the PRC and is principally engaged in property development in Qingdao city, the PRC. Novel Wisdom is an investment holding company which indirectly holds 49% interest in 中海地產(瀋陽)有限公司 ("Shenyang Project Company"), a company established in the PRC and is principally engaged in property development in Shenyang city, the PRC.

Before the acquisition, the Group held 70% equity interest, 70% equity interest and 68.15% equity interest in Xi'an Project Company, Qingdao Project Company and Shenyang Project Company, respectively, which were accounted for as joint ventures of the Group. Upon completion, Xi'an Project Company, Qingdao Project Company and Shenyang Project Company became 100% owned subsidiaries of the Group and controlled by the Group.

The Group re-measured its equity interests held in Xi'an Project Company, Qingdao Project Company and Shenyang Project Company immediately prior to the acquisition date at fair value amounting to approximately HK$4,710,175,000. As a result, a fair value remeasurement of approximately HK$1,458,176,000 was recognised in consolidated income statement.

The acquisition-related costs have been expensed off and are included in administrative expenses in the consolidated income statement.

41. ACQUISITION OF SUBSIDIARIES *(continued)*

The following table summarised the consideration for the acquisition as mentioned above, the fair value of aggregate assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Aggregate consideration transferred and fair value of previously held equity interest:	
Total consideration	2,814,552
Aggregate fair value of the previously held equity interests in Popular Merit, Ring Tide and Novel Wisdom immediately prior to acquisitions	4,710,175
	7,524,727

	Fair value on acquisition *HK$'000*
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	3,943
Stock of properties	10,867,032
Trade and other receivables	244,154
Deposits and prepayments	533,610
Bank balances and cash	1,991,618
Amounts due from related parties *(Note)*	2,413,440
Amounts due to shareholders *(Note)*	(1,688,349)
Trade and other payables	(789,484)
Other deposits	(208,634)
Pre-sale deposits	(4,956,210)
Tax liabilities	(94,787)
Deferred tax liabilities	(791,606)
Total identifiable net assets acquired	7,524,727
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,814,552)
Cash and cash equivalents acquired of	1,991,618
	(822,934)

Xi'an Project Company, Qingdao Project Company and Shenyang Project Company contributed approximately HK$4,260,166,000 and HK$256,172,000 to the Group's revenue and profit respectively for the period between the date of acquisition and 31 December 2013.

Had the acquisition of Popular Merit, Ring Tide and Novel Wisdom been effected at 1 January 2013, the Group's revenue for the year would have been approximately HK$82,469,081,000, and profit for the year would have been approximately HK$23,125,628,000.

Note: The amounts due from related parties and due to shareholders represent the Group's amounts due to joint ventures and shareholders' loans in connection with the Group's previously held equity interests in Ring Tide and Novel Wisdom immediately prior to acquisitions respectively.

42. GOODWILL

	THE GROUP	
	2013	2012
	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 years 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 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. 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$19,669 million (2012: HK$16,059 million) and approximately HK$15 million (2012: HK$41 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK$858 million (2012: HK$585 million), of which approximately HK$832 million (2012: HK$576 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	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**783,350**	700,660
In the second to fifth year inclusive	**1,152,685**	1,102,794
After five years	**89,074**	67,839
	2,025,109	1,871,293

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

43. OPERATING LEASE COMMITMENT *(continued)*

The Group and the Company as lessees

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

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**59,019**	47,611	**44,448**	25,178
In the second to fifth year inclusive	**78,471**	48,114	**60,139**	25,403
After five years	**1,838**	2,566	**–**	–
	139,328	98,291	**104,587**	50,581

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated and rentals are fixed for two to six years.

44. CAPITAL COMMITMENT

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

Capital expenditure in respect of investment properties

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
— Authorised but not contracted for	**12,201,581**	15,024,262
— Contracted but not provided for	**1,609,712**	303,144
	13,811,293	15,327,406

The Company had no significant capital commitment at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

45. 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries				
— Maximum	**–**	–	**7,277,347**	7,670,301
— Utilised	**–**	–	**7,277,347**	7,578,887
Joint ventures				
— Maximum	**1,532,689**	1,307,351	**1,189,265**	1,307,351
— Utilised	**1,532,689**	1,092,748	**1,189,265**	1,092,748

(b) The Group provided guarantees amounted to approximately HK$15,412 million (2012: HK$11,058 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(c) As disclosed in note 39, the Company also provided guarantee amounted to approximately HK$32,688 million (2012: HK$21,148 million) in respect of the guaranteed notes payable issued by subsidiaries of the Company.

Other than the guarantees provided by the Company as mentioned in items (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.

46. RELATED PARTY TRANSACTIONS

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

Nature of transaction	Notes	2013 HK$'000	2012 HK$'000
Fellow subsidiaries			
Property development project construction fee	(a)	**2,961,034**	2,328,432
Rental income	(b)	**14,824**	12,621
Insurance fee	(c)	**1,048**	2,247
Security income	(a)	**20,558**	23,153
Heating pipes connection service cost	(a)	**156,740**	95,741
Building design consultancy income	(c)	**71,751**	–
Associates			
Interest income	(d)	**–**	12,336
Royalty income	(e)	**100,000**	96,841
Rental expense	(b)	**15,628**	15,329
Property management income	(f)	**455**	10,436
Joint ventures			
Interest income	(d)	**121,065**	47,260
Property development project construction income	(c)	**144,028**	696,279

Notes:

(a) *Property development project construction fee, security income and heating pipes connection service cost are charged by in accordance with respective contracts. The amounts represent aggregate transaction amounts during the year in relation to contracts signed in current and prior years.*

(b) *Rental income and expense are charged in accordance with respective tenancy agreements.*

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

(d) *Interest income is charged at interest rates as specified in note 30 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.*

46. 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:

	2013 *HK$'000*	2012 *HK$'000*
Short-term benefits	**129,763**	109,574
Mandatory Provident Fund contribution	**185**	56
	129,948	109,630

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

	2013 *Number of person*	2012 *Number of person*
Below HK$1,000,000	**2**	–
HK$1,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$7,500,000	**3**	7
HK$7,500,001 to HK$10,000,000	**5**	1
HK$10,000,001 to HK$12,500,000	**1**	–
	12	10

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

(c) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled Entities"). The directors of the Company consider those State-controlled Entities are independent third parties so far as the Group's businesses with them are concerned.

In connection with their property development activities, the Group awarded certain construction and other works contracts to entities, which to the best knowledge of management, are State-controlled Entities.

The Group has also entered into various transactions with PRC government departments or agencies which include the acquisition of land mainly through tendering to those government departments or agencies.

Other than those disclosed in section (a) above and the acquisition of land from the government departments or agencies, the directors of the Company consider that the other transactions with those State-controlled Entities are not significant to the Group.

46. RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with other state-controlled entities in the PRC *(continued)*

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are State-controlled Entities. In view of the nature of those transactions, the directors of the Company are of the opinion that quantitative information on the extent of transactions between the Group and the government related entities would not be meaningful.

The Group is active in sales and lease of properties, the provision of real estate agency and management services and other services in various provinces in the PRC. The directors of the Company are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled Entities. However, the directors are of the opinion that other than those disclosed in section (a) above, the transactions with State-controlled Entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and notes 23, 30, 33 and 35. 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 and 34.

47. EVENT AFTER THE REPORTING PERIOD

On 28 January 2014, the Company and China State Construction Engineering Corporation Limited ("CSCECL"), an intermediate holding company, entered into an Entrusted Management Agreement. Pursuant to the Entrusted Management Agreement, CSCECL agreed to entrust the Company to provide management services to 24 subsidiaries of CSCECL established in the PRC ("Entrusted Companies"), which principally engaged in real estate development and property management businesses, in respect of their business operation and administration (which include developing real estate projects of the Entrusted Companies under the existing brands and intellectual properties owned by the Company).

The commencement of the term for the purpose of determining the management fees payable has been agreed to be 1 January 2014. The Entrusted Management Agreement will be for a term of three years and annual fees shall not exceed HK$100,000,000 for each of the three years.

The Entrusted Management Agreement does not constitute any asset injection by CSCECL to the Company as referred to in the announcement dated 5 August 2013 of the Company, and the parties will continue to negotiate actively on the implementation of the asset injection.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2013 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, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
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) II Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
China Overseas Finance (Cayman) III Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
China Overseas Finance (Cayman) IV Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
China Overseas Finance (Cayman) V Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
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 services
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
Elite Way International Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Entrepot Limited	100 shares of HK$1 each	–	100	Property development
Further Good Development Limited	100 shares of HK$1 each	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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
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
Longcross Limited	30,370,000 shares of HK$1 each	–	100	Property investment
Macfull Limited	1,000 shares of HK$1 each	–	60	Property development
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
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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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
Widenews Company Limited ("Widenews")	2 shares of HK$1 each[iii]	–	100	Property development and investment holding
Winwhole Development Limited	100 shares of HK$1 each	–	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	–	100	Investment holding
中海發展(上海)有限公司[ii]	US$17,000,000	–	100	Property development and trading
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
上海中海海富房地產有限公司[v]	RMB10,000,000	–	100	Property development
上海中海海容房地產有限公司[v]	RMB10,000,000	–	100	Property development
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
中海興業(西安)有限公司[ii]	US$60,000,000	–	100	Property development
中海鼎盛(西安)房地產有限公司[ii]	RMB2,000,000,000	–	100	Property development
中海鼎業(西安)房地產有限公司[ii]	RMB1,570,500,000	–	100	Property development
中海發展(蘇州)有限公司[ii]	US$50,000,000	–	100	Property development
中海地產(蘇州)有限公司[ii]	US$50,000,000	–	100	Property development
中海英奧置業(蘇州)有限公司[ii]	US$99,000,000	–	100	Property development
中海海盛(蘇州)房地產有限公司[v]	RMB30,000,000	–	100	Property development
中海海通(蘇州)房地產有限公司[v]	RMB20,000,000	–	100	Property development
中海海潤(蘇州)房地產有限公司[v]	RMB30,000,000	–	100	Property development
中海海納(蘇州)房地產有限公司[v]	RMB445,000,000	–	100	Property development
中海興業(寧波)有限公司[ii]	US$33,000,000	–	100	Property development
寧波中海創城有限公司[v]	RMB2,600,000,000	–	100	Property development
寧波中海海興置業有限公司[v]	RMB20,000,000	–	100	Property development
寧波中海海尚置業有限公司[v]	RMB20,000,000	–	100	Property development
天津中海嘉業投資有限公司[v]	RMB30,000,000	–	100	Property development
天津中海地產有限公司[v]	RMB30,000,000	–	100	Property development
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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
北京古城興業置業有限公司[(v)]	RMB50,000,000	–	70	Property development
北京中海豪景房地產開發有限公司[(v)]	RMB20,000,000	–	100	Property development
北京鑫景通達置業有限公司[(v)]	RMB10,000,000	–	100	Property development
北京世紀順龍房地產開發有限公司[(v)]	RMB30,000,000	–	51	Property development
北京中海金石房地產開發有限公司[(v)]	RMB10,000,000	–	100	Property development
北京中海新城置業有限公司[(v)]	RMB100,000,000	–	90	Property development
中海興業(成都)發展有限公司[(ii)]	US$99,000,000	–	100	Property development
中海信和(成都)物業發展有限公司[(ii)]	HK$420,000,000	–	80	Property development
中海振興(成都)物業發展有限公司[(ii)]	US$89,800,000	–	100	Property development
成都中海鼎盛房地產開發有限公司[(v)]	RMB50,000,000	–	100	Property development
鉅星(成都)商務服務有限公司[(ii)]	RMB68,000,000	–	100	Property development
中海嘉泓(成都)房地產開發有限公司[(ii)]	RMB250,000,000	–	100	Property development
中海地產(佛山)有限公司[(ii)]	RMB1,100,000,000	–	100	Property development
佛山市中海興業房地產開發有限公司[(ii)]	US$50,000,000	–	100	Property development
佛山中海千燈湖房地產開發有限公司[(v)]	RMB20,000,000	–	100	Property development
佛山中海環宇城房地產開發有限公司[(v)]	RMB20,000,000	–	100	Property development
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
中海地產(瀋陽)有限公司[(v)]	US$199,600,000	–	100	Property development
瀋陽中海嘉業房地產開發有限公司[(v)]	RMB20,000,000	–	100	Property development
杭州中海房地產有限公司[(ii)]	US$99,800,000	100	–	Property development
中海發展(杭州)有限公司[(ii)]	US$49,800,000	–	100	Property development
中海地產(杭州)有限公司[(iv)]	US$99,800,000	74.5	25.5	Property development
杭州中海宏鯤房地產有限公司[(v)]	RMB500,000,000	–	100	Property development
杭州中海城溪地產有限公司[(ii)]	RMB913,000,000	–	100	Property development
長沙中海興業房地產有限公司[(ii)]	RMB662,000,000	–	100	Property development
長春中海地產有限公司[(iv)]	RMB100,000,000	–	100	Property development
長春海華房地產開發有限公司[(ii)]	US$49,800,000	–	100	Property development
長春海悦房地產開發有限公司[(v)]	RMB20,000,000	–	100	Property development
長春海成房地產開發有限公司[(v)]	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[(ii)]	RMB3,430,000,000	–	100	Property development
中海地產(青島)投資開發有限公司[(v)]	US$259,800,000	–	100	Property development
青島中海盛興房地產有限公司[(v)]	RMB100,000,000	–	100	Property development
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
南京海麒房地產開發有限公司[(v)]	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
南京中海滿高房地產開發有限公司(ii)	RMB315,000,000	–	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(ii)	RMB12,000,000	–	100	Design consultancy services
北京中海華藝城市規劃設計有限公司(v)	RMB1,000,000	–	90	Design consultancy services
中海地產(珠海)有限公司(ii)	RMB405,000,000	–	100	Property development
珠海市嘉業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
珠海市永福通房地產開發有限公司 (formerly known as 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(ii)	RMB10,000,000,000	–	100	Property development, trading and investment and investment holding
深圳中海地產有限公司(iv)	HK$50,000,000	–	100	Property development
深圳市中海海景山莊物業發展有限公司(v)	RMB10,000,000	–	60	Property development
深圳市中海日輝台物業發展有限公司(v)	RMB41,791,108	–	100	Property development
中海寶松物業發展(深圳)有限公司(ii)	HK$262,500,000	–	100	Property development
深圳市龍富房地產開發有限公司(v)	RMB150,000,000	–	100	Property development
深圳市中海聖廷苑酒店有限公司 (formerly known as 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
中海鼎業(煙臺)地產有限公司(ii)	RMB300,000,000	–	100	Property development
中海發展(廣州)有限公司(ii)	US$21,000,000	–	100	Investment holding, property development, building construction and project management
廣州中海名都房地產發展有限公司(ii)	RMB400,000,000	–	100	Property development
廣州中海地產有限公司(v)	RMB100,000,000	–	100	Property development
廣州瑾熙房地產投資諮詢有限公司 (formerly known as 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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
廣州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
濟南中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
濟南中海城房地產開發有限公司(v)	RMB30,000,000	–	100	Property development
哈爾濱中海地產有限公司(v)	RMB20,000,000	–	100	Property development
中海興業武漢房地產有限公司(v)	RMB20,000,000	–	100	Property development
太原冠澤置業有限公司(v)	RMB200,000,000	–	95	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) Joint stock limited company established in the PRC
(v) Limited liability company registered in the PRC
(vi) Incorporated in the Cayman Islands
(vii) Incorporated in Macau

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Finance (Cayman) II Limited, China Overseas Finance (Cayman) III Limited, China Overseas Finance (Cayman) IV Limited and China Overseas Finance (Cayman) V Limited, which have issued US$1,000,000,000, US$1,500,000,000, US$750,000,000 and US$1,000,000,000 guaranteed notes payable (note 39), respectively.

Five Year Financial Summary

For the year ended 31 December 2013

(A) CONSOLIDATED RESULTS

	For the year ended 31 December				
	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Turnover	39,277,758	46,650,024	51,332,302	64,580,694	**82,469,081**
Operating profit	12,259,248	18,913,841	23,388,338	27,070,329	**28,347,553**
Gain on bargain purchases	–	905,718	–	–	**–**
Gain on deemed disposal of subsidiaries	–	–	45,628	–	**–**
Gain on disposal of subsidiaries	–	601,085	–	–	**–**
Gain on disposal of a joint venture	–	272,918	–	–	**–**
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	–	–	–	–	**1,458,176**
Share of profits of					
Associates	3,683	17,750	202,838	339,515	**838,117**
Joint ventures	19,238	317,196	719,260	2,297,976	**2,935,195**
Finance costs	(228,414)	(461,264)	(590,763)	(285,602)	**(290,363)**
Profit before tax	12,053,755	20,567,244	23,765,301	29,422,218	**33,288,678**
Income tax expenses	(4,272,571)	(7,599,724)	(8,207,115)	(10,589,747)	**(10,109,752)**
Profit for the year	7,781,184	12,967,520	15,558,186	18,832,471	**23,178,926**
Attributable to:					
Owners of the Company	7,646,049	12,671,244	15,464,098	18,722,221	**23,043,712**
Non-controlling interests	135,135	296,276	94,088	110,250	**135,214**
	7,781,184	12,967,520	15,558,186	18,832,471	**23,178,926**

Five Year Financial Summary (continued)

For the year ended 31 December 2013

(B) CONSOLIDATED NET ASSETS

	At 31 December				
	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Non-current assets					
Investment properties	7,747,599	14,053,675	17,765,372	23,657,327	**32,531,661**
Property, plant and equipment	253,823	319,388	337,635	975,862	**1,371,196**
Prepaid lease payments for land	47,409	35,984	68,591	161,996	**156,373**
Interests in associates	180,600	210,497	3,340,454	3,612,633	**4,496,092**
Interests in joint ventures	2,558,944	11,323,863	12,668,593	13,579,848	**11,434,403**
Investments in syndicated property project companies	20,971	22,867	22,776	18,369	**18,907**
Amounts due from associates	87,424	42,156	88,793	–	**–**
Amounts due from joint ventures	9,172,006	8,981,367	11,727,717	5,317,039	**2,843,910**
Amounts due from syndicated property project companies	436	154	–	–	**–**
Other financial assets	30,161	23,726	17,417	51,436	**68,179**
Goodwill	109,021	109,021	109,021	109,021	**109,021**
Other intangible asset	–	39,870	–	–	**–**
Deferred tax assets	650,791	1,190,537	1,844,924	2,073,652	**2,277,091**
	20,859,185	36,353,105	47,991,293	49,557,183	**55,306,833**
Current assets	93,258,208	125,895,296	127,984,130	180,267,505	**241,215,637**
Total assets	114,117,393	162,248,401	175,975,423	229,824,688	**296,522,470**
Non-current liabilities					
Borrowings — due after one year	(14,369,870)	(24,305,704)	(25,113,861)	(32,095,339)	**(36,708,758)**
Guaranteed notes payable	(2,332,426)	(10,018,179)	(7,689,578)	(21,147,701)	**(32,688,088)**
Amounts due to non-controlling interests	(820,310)	(791,904)	(1,055,226)	(2,017,849)	**(581,634)**
Derivative financial liability	–	(1,187,323)	–	–	**–**
Deferred tax liabilities	(1,470,351)	(5,776,484)	(2,297,578)	(3,031,391)	**(4,565,766)**
	(18,992,957)	(42,079,594)	(36,156,243)	(58,292,280)	**(74,544,246)**
Current liabilities	(52,794,812)	(61,398,357)	(67,929,182)	(83,975,452)	**(110,927,828)**
Total liabilities	(71,787,769)	(103,477,951)	(104,085,425)	(142,267,732)	**(185,472,074)**
Net assets	42,329,624	58,770,450	71,889,998	87,556,956	**111,050,396**
Equity attributable to:					
Owners of the Company	42,613,065	55,563,199	71,616,983	87,244,139	**109,970,583**
Non-controlling interests	(283,441)	3,207,251	273,015	312,817	**1,079,813**
	42,329,624	58,770,450	71,889,998	87,556,956	**110,050,396**

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