

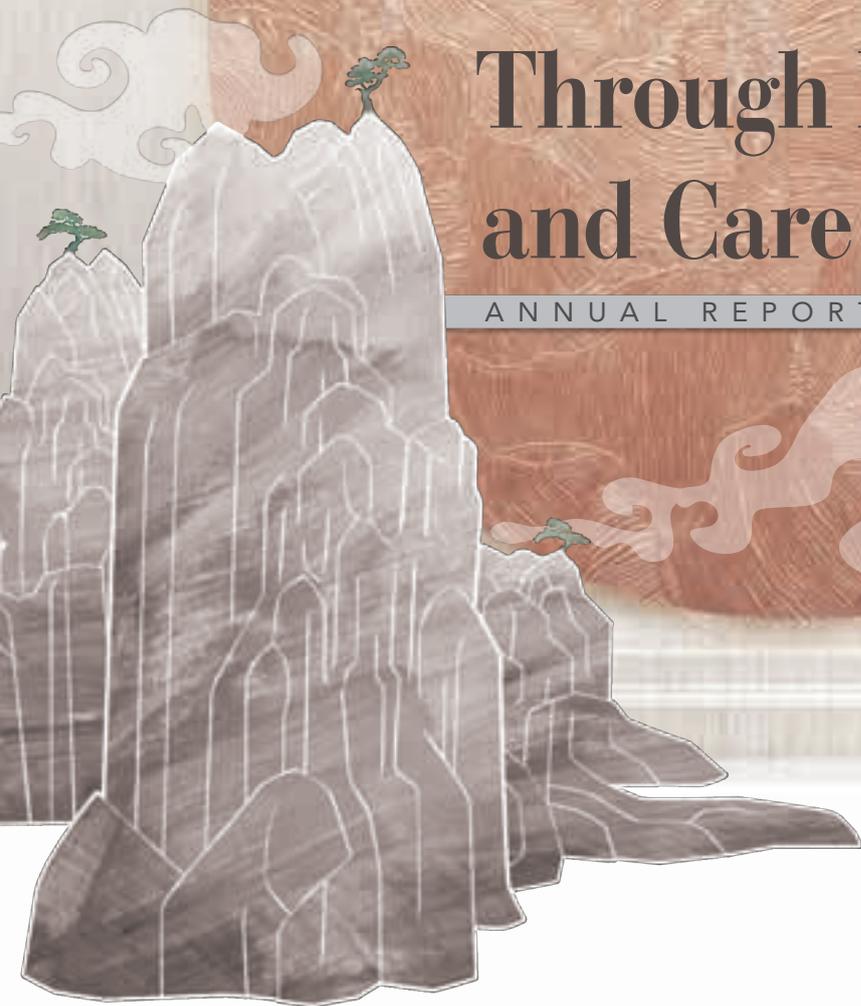


中國海外發展有限公司  
CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code: 00688

# A Trusted Brand Growing Through Diligence and Care

ANNUAL REPORT 2014





International Community, Nanjing



# Contents

Board of Directors and Committees	2
Corporate Information	3
Shareholders' Information and Financial Calendar	4
Corporate Structure	5
Financial Highlights	6
Group Financial Summary	8
Business Milestones	9
Chairman's Statement	13
Management Discussion and Analysis	
Overall Performance	<b>26</b>
Land Reserves	<b>30</b>
Property Development	<b>36</b>
Property Investment	<b>52</b>
Other Operations	<b>60</b>
Group Finance	<b>64</b>
Directors and Organisation	70
Corporate Social Responsibility	83
Accolades & Awards 2014	90
Investor Relations	94
Corporate Governance Report	96
Financial Information	
Report of Directors	<b>109</b>
Connected, Continuing Connected and Related Party Transactions	<b>117</b>
Independent Auditor's Report	<b>131</b>
Consolidated Income Statement	<b>133</b>
Consolidated Statement of Comprehensive Income	<b>134</b>
Consolidated Statement of Financial Position	<b>135</b>
Company Statement of Financial Position	<b>137</b>
Consolidated Statement of Changes in Equity	<b>138</b>
Consolidated Statement of Cash Flows	<b>139</b>
Notes to the Financial Statements	<b>141</b>
Five Year Financial Summary	<b>227</b>

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

## LEGAL ADVISOR

Mayer Brown JSM

## INDEPENDENT AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

## PRINCIPAL BANKERS (In Alphabetical Order)

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

# 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

### Guaranteed Notes

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

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

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

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

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

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

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

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

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

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

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

## FINANCIAL CALENDAR

Interim results announcement	:	1 August 2014
Interim dividend paid	:	11 September 2014
Final results announcement	:	24 March 2015
Share register closed for	:	15 June 2015 to
Annual General Meeting	:	16 June 2015
		(both days inclusive)
Annual General Meeting	:	16 June 2015
Share register closed for	:	22 June 2015
Final dividend	:	
Final dividend payable	:	8 July 2015

# Corporate Structure

 **中國海外發展有限公司**<sup>^</sup>  
CHINA OVERSEAS LAND & INVESTMENT LTD.



PLANNING AND CONSTRUCTION DESIGN

PROPERTY DEVELOPMENT\*



PROPERTY MANAGEMENT



PROPERTY INVESTMENT

<sup>^</sup> Business operating in Mainland China, Hong Kong and Macau.

\* Property development in 45 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, Taiyuan, Tianjin, Wuhan, Wuxi, Xi'an, Xiamen, Yantai, Zhengzhou, Zhongshan, Zhuhai, Changzhou\*, Guilin\*, Ganzhou\*, Jilin\*, Hefei\*, Hohhot\*, Lanzhou\*, Nanning\*, Nantong\*, Shantou\*, Shaoxing\*, Yancheng\*, Yangzhou\*, Yinchuan\* as well as in Hong Kong and Macau.

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

# Financial Highlights

For the year ended 31 December	2014	2013	Change (%)
<b>Financial Highlights (HK\$ billion)</b>			
Turnover	<b>120.00</b>	82.47	+46
Profit attributable to equity shareholders of the Company	<b>27.68</b>	23.04	+20
Property Sales <sup>1</sup>	<b>140.81</b>	138.52	+2
<b>Financial Ratios</b>			
Net debt to shareholders' funds (%) <sup>4</sup>	<b>32</b>	28	+4 <sup>2</sup>
Interest cover (times)	<b>11</b>	12	-1 <sup>3</sup>
Dividend payout (%)	<b>16</b>	17	-1 <sup>2</sup>
<b>Financial Information per Share (HK\$)</b>			
Earnings	<b>3.39</b>	2.82	+20
Dividends	<b>0.55</b>	0.47	+17
— Interim dividend	<b>0.20</b>	0.18	+11
— Final dividend	<b>0.35</b>	0.29	+21
Shareholders' funds at book value <sup>4</sup>	<b>16.31</b>	13.46	+21
<b>Land Reserves (million sq m)</b>			
Development land bank <sup>4</sup>	<b>37.35</b>	38.77	-4

Notes: <sup>1</sup> Including joint ventures and associates

<sup>2</sup> Change in percentage points

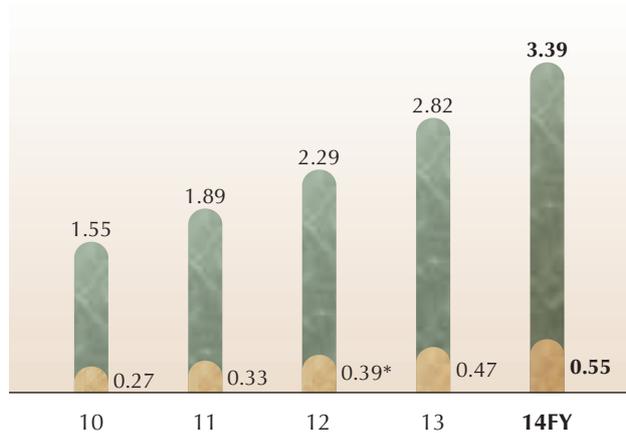
<sup>3</sup> Change in number of times

<sup>4</sup> These are year end figures

## Financial Highlights (continued)

### EARNINGS AND DIVIDENDS PER SHARE

HK\$

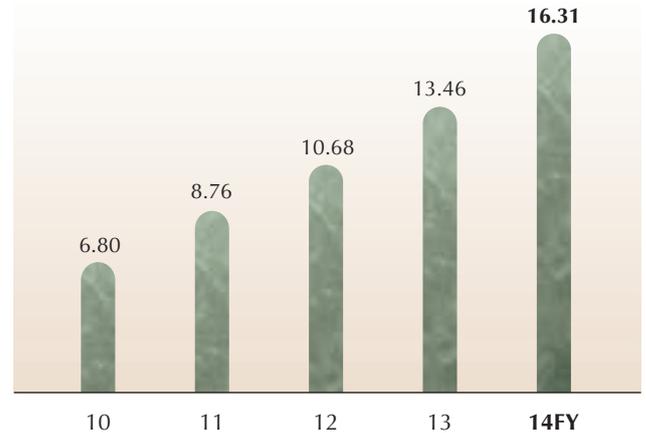


- Earnings
- Dividends

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

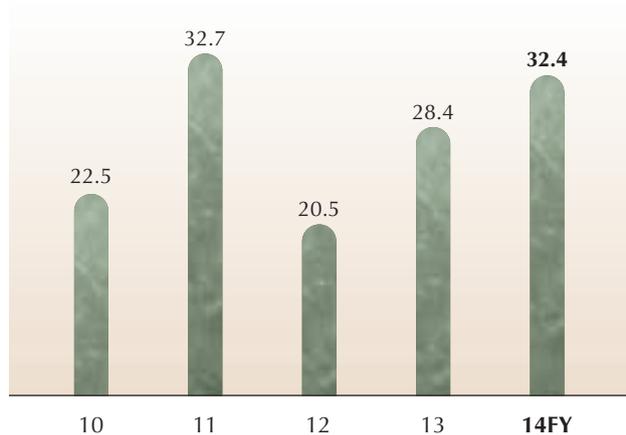
### SHAREHOLDERS' FUND PER SHARE

HK\$



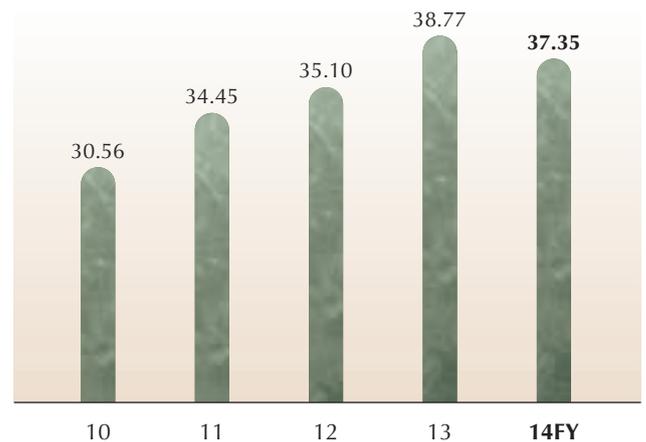
### NET DEBT TO SHAREHOLDERS' FUNDS

%



### LAND RESERVES

million sq m



# Group Financial Summary

## KEY FINANCIAL INFORMATION AND RATIOS

Financial Year	2010	2011	2012	2013	2014
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Earnings per share</b>	1.55	1.89	2.29	2.82	<b>3.39</b>
<b>Dividends per share</b>	0.27	0.33	0.39*	0.47	<b>0.55</b>
— Interim dividend	0.10	0.13	0.15	0.18	<b>0.20</b>
— Final dividend	0.17	0.20	0.24	0.29	<b>0.35</b>
<b>Shareholders' funds at book value per share</b>	6.80	8.76	10.68	13.46	<b>16.31</b>
<b>Net debt to shareholders' funds (%)</b>	22.5	32.7	20.5	28.4	<b>32.4</b>
Net debt					
Shareholders' funds					
<b>Interest cover (times)</b>					
Operating profit – Total interest income	16	16	15	12	<b>11</b>
Interest expense**					

## KEY PROFIT AND LOSS ITEMS

For the year ended 31 December	2010	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	46,650,024	51,332,302	64,580,694	82,469,081	<b>119,996,980</b>
<b>Operating profit</b>	18,913,841	23,388,338	27,070,329	28,347,553	<b>42,413,993</b>
<b>Profit attributable to equity shareholders</b>	12,671,244	15,464,098	18,722,221	23,043,712	<b>27,680,160</b>

## KEY STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December	2010	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Fixed assets<sup>‡</sup></b>	14,373,063	18,103,007	24,633,189	33,902,857	<b>46,109,609</b>
<b>Long-term investments</b>	11,557,227	16,031,823	17,210,850	15,949,402	<b>15,748,145</b>
<b>Other non-current assets</b>	10,422,815	13,856,463	7,713,144	5,454,574	<b>5,057,995</b>
<b>Net current assets</b>	64,496,939	60,054,948	96,292,053	130,287,809	<b>148,111,282</b>
<b>Non-current liabilities</b>	(42,079,594)	(36,156,243)	(58,292,280)	(74,544,246)	<b>(78,219,336)</b>
<b>Net assets</b>	58,770,450	71,889,998	87,556,956	111,050,396	<b>136,807,695</b>

\* 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



The opening of China Overseas Yuanling Hope School

### 19 FEBRUARY

China Overseas Yuanling Hope School, the 9th Hope School donated by the Group and located in Madiyi Village, Yuanling County, Huaihua City, Hunan Province, China was completed and commenced for use. With a total site area of 23,275 sq m and total gross floor area ("GFA") of 5,650 sq m, the school can accommodate 2,000 students in 36 classes. The commencement of this school has created a sound learning environment for village children. Currently, another Hope School donated by the Group is under construction.

### 29 APRIL

The Group issued two US Dollar bonds during the year. On 29 April, the Group issued US\$1 billion bond with two maturity profiles: US\$550 million with a 5-year term at a coupon rate of 4.25% and US\$450 million with a 10-year term

at a coupon rate of 5.95%. On 4 June, another US\$1 billion bond was issued in three maturity profiles: additional issues of US\$250 million with 5-year term at a coupon rate of 4.25% and US\$250 million with 10-year term at a coupon rate of 5.95% and US\$500 million with 20-year term by the way of private placing at a coupon rate of 6.45%. The aforesaid issues received enthusiastic response from investors which further improved the Group's debt maturity profile and provided strong support for the Company's stable development in the long term.

Glorious City, Foshan

### 30 APRIL

The launch of decorated units of Foshan Glorious City Phase III continued to be well received by the market. More than 2,000 units were sold during the first six months of 2014. 5,000 units had been sold in 2014 for an aggregate amount of RMB3.94 billion and the project ranked as the best-selling property project in Foshan.

### 30 MAY

Shenyang Unipark, the Group's second shopping mall commenced operation. With a total GFA of 80,000 sq m, Shenyang Unipark is dedicated to provide one-stop shopping experience with a variety of facilities, such as shopping, dining, entertainment, leisure, education and cultural activities. In the coming two to three years, Uniparks in Nanjing, Foshan and Zhuhai will commence operation successively.

Unipark Shopping Mall, Shenyang



## Business Milestones (continued)



The Group acquired sites at Xinbadali in Hexi District, Tianjin

### 5 JUNE

The Group acquired a land parcel at Xinbadali (Sili) in Hexi District, Tianjin at a consideration of RMB5.04 billion. On 17 July, the Group further acquired a land parcel at Xinbadali (Wuli) in Hexi District, Tianjin at a consideration of RMB3.93 billion. The two land parcels are adjacent, with land areas of 78,346 sq m and 82,723 sq m, overall plot ratios of 4.4 and 3.65, and total GFA of 452,500 sq m and 413,434 sq m respectively. Located at the core area of Hexi District, Tianjin, the two projects enjoy convenient transportation through connections to a number of main routes of the city and provide with mature and comprehensive ancillary facilities, including city-level commercial, educational, cultural and natural landscape resources. It possesses enormous potential for development with prime land parcel located within city centre where land resources are rare.

### 11 JUNE

Residence Nine in Shenzhen optimised and innovated the product lines of highrise buildings and villas which enhanced the popularity and premium of the Group's products. The project was launched for sale for 3 times over the year and were well-received by the market. It was sold for RMB6.5 billion and ranked first in annual sales of single project in Shenzhen in 2014. At the same time, it also broke the record for sales amount of a single project in the Shenzhen real estate market over the 30 years.



The Group received numerous awards from authoritative property industry research institutions

### 27 JUNE

The Company has been voted for number one of "China Blue Chip Real Estate Developers" by Economic Observer for 11 years in a row. In September, "China Overseas Property" was acknowledged again as the "Leading Brands of China Real Estate Companies" and ranked first in the property sector with a brand value of RMB34.25 billion. On 24 October, the Company was granted by Corporate Governance Asia "Asia's Outstanding Companies on Corporate Governance". The Group continued to win numerous awards during the year. That reflects its strong brand name and corporate governance ability, as well as its solid ability for sustainable development.



China Overseas Property Club organised "Children's Dreams, Children's Art" arts exhibitions

### 4 JULY

"Children's Dreams, Children's Art", a Mainland and Hong Kong Art Exchange Programme co-organised by China Overseas and Treats with full support from China Overseas Property Club ("COPC"). About 1,700 children from mainstream primary schools and special schools in Hong Kong, China Overseas Hope Schools in the Mainland and residential communities of China Overseas participated in this activity, showing children's unlimited artistic talent and creativity regardless of geographic location, race and ability. Established in 2004, COPC continued to facilitate interaction and closer connection between property owners and the Group by organising unique activities. This help to enhance the "China Overseas Property" brand name at the same time. COPC has more than 300,000 members currently.



Residence Nine, Shenzhen

## Business Milestones (continued)

The Group acquired a site under the Beijing Shijingshan District Old City Rebuilding Programme

### 2 NOVEMBER

The Group acquired a land parcel at Beijing Shijingshan District at a consideration of RMB5.9 billion, under Laogucheng rebuilding projects. With land area of 106,574 sq m, residential plot ratio of 2.8 and a commercial plot ratio of 5.0, the project will provide GFA of 425,541 sq m. It is located at Shijingshan District which has been designated as one of the six major business districts, with only 900 metres away from Gucheng Station of Metro Line 1, while Yinhe Business District is accessible within a 10-minute drive. It is geographically well-positioned and future development potential is enormous.

### 16 NOVEMBER

Presales of Paramount Jade Phase I in Jinan was launched to offer 6,105 units and some villas and retail shops. A total of 4,523 residential units, 127 villas and all shops were sold with sales amount of RMB3.86 billion on the first day, a new sales record for the Group's single project launch. This further testified the brand value of "China Overseas Property".

### 20 NOVEMBER

China Overseas Grade A Office Building Strategic Conference 2014 was held in Beijing under the theme of "Cloud Business, Born to Change". About hundred representatives from well-known companies, commercial chambers and professional institutions participated the event. The Group's strategic transformation from a traditional real estate developer to an integrated real estate operator was announced in the conference. China Overseas Commercial Properties announced its strategic plan of cloud business which utilised the resources from China Overseas Grade A office buildings, their corporate tenants

China Overseas Property unveiled its cloud business strategic blueprint for commercial property business

and their employees through the application of mobile internet technologies, with the aim to provide multi-dimensional value-added services such as daily life services for staff, corporate management services and corporate development services and to consolidate upstream and downstream business resources in the market. Currently, hundreds of companies from in and outside the Mainland in various industries have been signed up. The Group will continue to explore more extensive resources in future to lead the change in the operation model of commercial properties.

### 25 NOVEMBER

The Group entered into a club deal agreement with 13 leading banks in and outside the Mainland raising HK\$14 billion. The Group had originally planned to seek a loan size of approximately HK\$10 billion, but subsequently decided to increase the loan size to HK\$14 billion owing to the enthusiastic response and strong support of the banks, making it the largest loan in the history of the Group. This reflected confidence of the financial market in the business development prospect of the Group. The loan is intended to be used mainly to repay Hong Kong bank loans due to mature in next year.



The Group signed a club loan of HK\$14 billion



Luxurious Residence, Jinan



# 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 2014 increased by 20.1% to HK\$27.68 billion. Basic earnings per share were HK\$3.39, an increase of 20.1%. Total shareholders' funds increased by 21.2% to HK\$133.33 billion. Net assets per share were HK\$16.3, an increase of 20.7% on 2013, and average return on shareholders' funds reached 22.8%. The Board recommends the payment of a final dividend of HK35 cents per share for year 2014.

**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 13 years, the Group achieved a compound annual growth rate of 39.9% 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. 2015 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 global economy remained complicated and fast changing in 2014. There was more favourable economic development in the United States, with improved employment. The Eurozone was stagnant, triggering concerns about a new wave of European debt crisis. Economic development in Japan showed little improvement, even with mega quantitative easing measures; geopolitical problems in the Middle East, Europe and Asia elevated risks in the global economy; a strong dollar coupled with a possible move to increase interest rate led to clear signs of capital outflows from emerging markets, thus increasing the risks of an economic downturn.

Against the background of volatile economic environment and sluggish economic growth abroad, the Chinese Central Government promulgated several

measures for stabilising growth, including increased investment in infrastructure, moderately eased monetary policies for liquidity improvement, and a lending rate reduction in November — the first in more than two years. China's foreign trade showed no sign of improvement, while the CPI and PPI continued to drop. Weak momentum in the economy resulted in an annual economic growth rate of 7.4%, meeting the target of about 7.5%. The economic slowdown in Europe, the United States and China meant there was only mild economic growth in Hong Kong and Macau.

In the first half of 2014, the slowdown in China's economic growth, the tightening of liquidity and credit due to financial reforms, and the cutthroat sales arising from property businesses facing less favourable financial conditions and attempting to clear inventory, combined to result in a significant shrinkage of both house prices and trading volume, coupled with

## Chairman's Statement (continued)

passive sentiment in the land market. The property sector strengthened gradually in the second half of the year, with notable improvements in sales prices and trading volumes.

Though facing a market environment encountering pressure from economic downturn and tight liquidity, the Group achieved satisfactory growth in its sales and profits in 2014. Turnover increased by about 45.5% to HK\$120.00 billion, and net profits increased by 21.7% to HK\$28.21 billion for the year. The profit attributable to the equity shareholders of the Company increased by 20.1% to HK\$27.68 billion, with HK\$3.85 billion of profit after tax related to the increase in the fair value of the investment property portfolio. The Group hence recorded an increase of 25.6% in its core profit (meaning net profits after deducting net income related to the increase in fair value of the investment properties and non-recurrent net income) to HK\$23.83 billion. The Board is pleased to report to shareholders of the Company that the consolidated net profit of the Company increased by more than 20% in each of the past 12 years (2003–2014). Over the past five years (2010–2014), the net profit attributable to shareholders has increased at a compound growth rate of 29.3% per annum, while the average return on shareholders' funds reached 24.0%.

### Property Development

In 2014, the target for contracted property sales — which was set at HK\$140 billion at the beginning of the year, was exceeded, setting another record high. Total property sales (including sales by joint ventures and associates) amounted to HK\$140.81 billion, while the corresponding area sold was 9.40 million sq m.

In 2014, as a result of accurate judgment of market changes, strategic 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\$135.75 billion. Following the market adapting to Hong Kong Government property regulations, the market became active again. Hong Kong and Macau sales for the year amounted to HK\$5.06 billion, representing a significant increase of 220% over the previous year.



The turnover of the Group increased by 45.5% to HK\$120.00 billion. (If the turnover of the joint ventures attributable to the Group is taken into account, the total increased to HK\$128.13 billion, representing a year-on-year increase of 27.5%). During the year, property development (including by joint ventures) with aggregate gross floor area (“GFA”) of about 10.77 million sq m was completed. The sales value of these projects, recognised as the Group’s turnover in 2014, amounted to HK\$99.43 billion. Furthermore, sales of properties of the Group completed by the end of 2013 were satisfactory, with about 720,000 sq m sold for approximately HK\$16.82 billion. Hence, the turnover for property development increased by 47.9% to HK\$116.25 billion. The turnover for mainland property development amounted to HK\$112.46 billion, representing an increase of 52.9% over the previous year. The turnover for Hong Kong and Macau property development amounted to HK\$3.79 billion, a decrease of 25.4%. Mainly due to the substantial increase in turnover, coupled with the fact that the gross profit margin for property development projects

## Chairman's Statement (continued)



Phase I and Phase II of China Overseas International Center, Chengdu

held steady at a satisfactory and market-leading level, the operating profit generated by property development business increased by 53.3% to HK\$36.10 billion (with the mainland contributing HK\$34.37 billion).

### Investment Properties

Jinan China Overseas Plaza, Beijing China Overseas Building, Chengdu China Overseas International Center and Shenyang China Overseas Plaza were completed during the year, adding about 540,000 sq m of completed investment properties to the Group, for a total of 1.14 million sq m in Hong Kong, Macau and the mainland as at the end of 2014. The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK\$1.18 billion, representing a year-on-year increase of 38.2%; profit for the segment amounted to HK\$6.03 billion, which included an increase in the fair value of investment properties amounting to HK\$5.17 billion (net fair value gain after deferred tax is HK\$3.85 billion).

### Land Reserve

During the year, the Group continued to follow the land market closely and make rational decisions on land acquisitions. From the second quarter, in response to the property market changes, it began to slow its pace of replenishing its land reserve. A total of 17 parcels of land were acquired by the Group (excluding China Overseas Grand Oceans Group Limited "COGO") in 13 cities in mainland China, including Zhengzhou and Taiyuan, which are new locations for the Group. These land parcels provided an aggregate GFA of 9.04 million sq m (with interest attributable to the Group of 8.60 million sq m).

In 2014, COGO acquired four land parcels in four mainland cities, and added GFA of 2.70 million sq m to its land reserve.

As at 31 December 2014, the Group had a total land reserve of about 37.35 million sq m (interest attributable to the Group of about 34.96 million sq m) in 31 mainland cities, Hong Kong and Macau; COGO had a total land reserve of 12.07 million sq m (attributable interest of 11.37 million sq m).

## Chairman's Statement (continued)

### Group Finance

Adhering to prudent financial management, the Group continued to enhance financial resources and optimise its debt structure. Leveraging its leading position in the property market and good credit, the Group successfully launched several major offshore and onshore fund raising exercises during the year. A total of US\$2.0 billion was raised in May and June through two bond issuances; in a first for the Group, RMB3.85 billion in bank loans was secured during the first half of the year, capitalising on terms more favourable than onshore; in the fourth quarter, the Group's largest loan to date, amounting to HK\$14 billion, was raised in Hong Kong by way of a club deal with 13 banks, in addition to raising HK\$4.5 billion through unilateral loan arrangements; the Group in mainland China, raised RMB4.44 billion in 2014 — mainly to pay off matured bank loans. The Group drew down HK\$26.46 billion in 2014. After deducting the repayment of matured bank loans due, the net amount utilised for operations for the year was HK\$21.82 billion. A cash inflow from sales of about HK\$102.09 billion was recorded for the year; and together with the net amount raised by financing and the net cash inflow of HK\$5.7 billion from joint ventures, the Group had sufficient funds to meet its requirements, including major expenditures of HK\$51.31 billion for land premiums, HK\$41.31 billion for construction costs, and HK\$24.33 billion for tax, sales and distribution, administrative and finance expenses.

As at the end of the year, outstanding loans and guaranteed notes payable by the Group were about HK\$46.35 billion (loans denominated in RMB amounted to HK\$17.00 billion) and about HK\$48.18 billion (US\$6.25 billion) respectively; cash on hand amounted to approximately HK\$51.28 billion (not including cash held by joint ventures, amounting to approximately HK\$6.8 billion); and the net gearing of the Group had slightly increased from 28.4% at the end of 2013 to about 32.4%, a very healthy level taking into consideration the substantial increase in sale proceeds collection during the fourth quarter. The shareholders' funds of the Company increased from HK\$109.97 billion at the end of the previous year to HK\$133.33 billion. Hence, the Group's financial strength is significantly improved.

### Human Resources

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



The Group's recruitment schemes support its sustainable development

## 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 Social Responsibility

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.

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

### Awards

The Company was rated number one among "The Top 50 China Real Estate Enterprises by Brand Value". China Overseas Property ("中海地產") was acknowledged among the "Leading Brands of China Real Estate Companies" for the eleventh consecutive

year, ranking first in the property sector with a brand value of RMB34.25 billion. For 11 years in a row, leveraging its excellent performance, the Company has been voted the number one "China Blue Chip Real Estate" developer. In 2014, China Overseas Property projects, as usual, well recognised for their excellence in quality, design and management on many occasions.

## 2. PROSPECTS

### Macroeconomy

It is expected that the various stimulus measures launched by developed European countries and Japan will remain in place in 2015 with possible boosts to these measures. Both economic growth and employment are improving in the United States, while global economic growth remains sluggish. The strong US dollar coupled with a possible move to increase interest rate will intensify volatility in global financial markets, while the threat of asset bubbles in emerging markets persists. For most enterprises, 2015 will remain challenging. The Group will watch closely for risks and opportunities triggered by any changes in the international economic environment, and will implement appropriate response measures in a timely and effective manner.

In order to keep the economy on a healthy, balanced and sustainable track, and following the strategy of combating risks, stabilising growth and moving ahead with structural reform, the Chinese government is expected to adopt a prudent financial policy and a relatively eased monetary policy, with measures such as reduction in the lending rate and required reserve ratio, so as to improve liquidity and reduce corporate finance costs. Also, the slowdown in economic growth in China may add uncertainty to the global growth scenario.



## Chairman's Statement (continued)

### Business Development

Through facing a tough market environment, the Group achieved an outstanding performance in 2014, amply demonstrating its excellent operational capabilities and brand advantages. The Group is prudently optimistic about the mainland China property market in 2015. It is expected that property liquidity will improve, as the government may ease property regulations. The China property market is expected to remain stable in 2015, and the industry overall presents both challenges and opportunities. The Group will take full advantage of its sound financial structure and diverse financing channels to actively increase financial resources and seize investment opportunities, including by 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.

Property developers in Hong Kong and Macau have adapted to the regulatory measures implemented by the government, and market trading has become active. However, the impact of the Hong Kong government's recently introduced mortgage-tightening measures is yet to be ascertained. The Group will still seek appropriate opportunities to expand its business in Hong Kong and Macau.

### Operational Philosophy

The Group holds to its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" (慎微篤行·精築致遠). It strictly adheres to its undertakings, conducts business with complete integrity, and seeks progress amid stability (穩中求進). It is not easy to maintain sustainable growth with the scale of sales and turnover, which both exceed HK\$100 billion every year. The Group firmly follows the operating philosophy of "A Trusted Brand Growing through Diligence and Care" (精耕細作·品牌經營) in order to reinforce the elite image of China Overseas Property products in the middle to high-end segment. The Group tries its utmost and explores every avenue to improve the quality of its projects so that each stands out and sets the benchmark for high-end products in its vicinity. The brand reflects the culture of an organisation, and in the case of the Company, this includes the pursuit of high-quality products by China Overseas Property and the mission of providing products with values beyond their monetary costs through continuous innovation. Therefore, enhancement of product quality and branding can effectively mitigate the pressure on lowering home selling prices, and reduce marketing costs. By operating under such a highly regarded brand, the Group can earn higher profits than its peers, which facilitates the Group's pursuit of its long-term goal of becoming an evergreen enterprise.



## Chairman's Statement (continued)

### Sustainable Project Development

The Group will closely monitor the market and appropriately control the pace of its project development and sales. 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 its operations' scale and profitability. Also taking into account the market situation, it is planned that in 2015, the Group will commence development of an additional GFA of more than 13 million sq m, bringing the total area under development to a peak level of 30 million sq m; the Group also aims to complete projects with GFA of 12 million sq m (including joint ventures), and achieve contracted sales of not less than HK\$168 billion (include joint ventures and COGO).

The Group will capitalise on the strength 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 successful sales of the projects in Hong Kong and 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 the allocation of resources for long-term and short-term investment, and gradually increase its weighting on investment property in order to obtain stable long-term returns and enhance its capability to balance market risk. In the long term, the Group will work towards securing over 20% of total profits from investment property. Currently, the total area of commercial property under development or yet to be developed by the Group amounts to about 3.8 million sq m. Over 50% of this area will be completed by the end of 2017.



## Chairman's Statement (continued)

### Land Replenishment

The Group will calmly meet the challenges ahead. Taking into account its financial situation, the Group will maintain an appropriate scale of investment and seize opportunities arising from market adjustments to replenish its prime land reserve, to resolutely execute its prudent land policies. It is planned that the replenishment of the Group's land reserve will be not less than 10 million sq m in GFA in 2015.

By the end of February 2015, the Group had in 2015 acquired two parcels of land in two mainland cities with a total GFA of 1.63 million sq m, while COGO did not acquire any land parcel in the first two months for 2015.

### Multi-Growth Models

The Group will strive to expedite its development and expand its development scale through joint ventures and mergers and acquisitions. At the end of 2014, the amount invested by the Group in the joint ventures had been reduced from the peak of over HK\$20 billion to HK\$8.98 billion. The profit contribution from joint ventures in 2014 was accordingly reduced by 62.5% to HK\$1.10 billion. COGO is an associate of the Group that focuses on third-tier mainland cities and is expected to effectively complementing the business of China Overseas Property. In 2014, COGO recorded sales of HK\$18.06 billion, turnover of HK\$13.98 billion, and a net profit of HK\$1.45 billion. The Group shared a net profit of about HK\$480 million.

On 5 August 2013, the Company announced the intention of the controlling shareholder, China State Construction Engineering Corporation Limited ("CSCECL"), to inject certain China property businesses into the Group. Subsequently, on 28 January 2014, the Company announced the transitional arrangements for the operation and

management of the businesses to be injected would be entrusted to the Company. The Board is pleased to announce that negotiation with CSCECL on the implementation of the asset injection has been completed. Please refer to the announcement dated 24 March 2015 on the acquisition by the Group of property portfolio from CSCECL and its subsidiaries and issue of the Company's shares to China Overseas Holdings Limited, a wholly owned subsidiary of CSCECL and the immediate holding company of the Company.

### Prudent Financial Management

The Group will continue to adhere to prudent financial management and will increase the speed with which it collects proceeds from 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). As the Group has as much as HK\$22.54 billion in bank loans due in 2015, with HK\$17.35 billion in loans in Hong Kong due before the end of May, we have made early refinancing arrangements totalling HK\$18.5 billion for such loans in the fourth quarter. The Group 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.

## Chairman's Statement (continued)

### Business Prospects

The Board is confident regarding the Group's prospects and capabilities. In the past 13 years, the Group achieved a compound annual growth rate of 39.9% in its net profits. Despite the impact of the global financial crisis and administrative tightening in the China property sector, the Group has overcome obstacles, maintained sustainable development and exceeded operational targets, and still achieved compound annual growth of 29.3% in its net profit for the past five years, demonstrating its strength and brand advantage. The coming year, 2015, is expected to be complex and ever-changing, due to 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

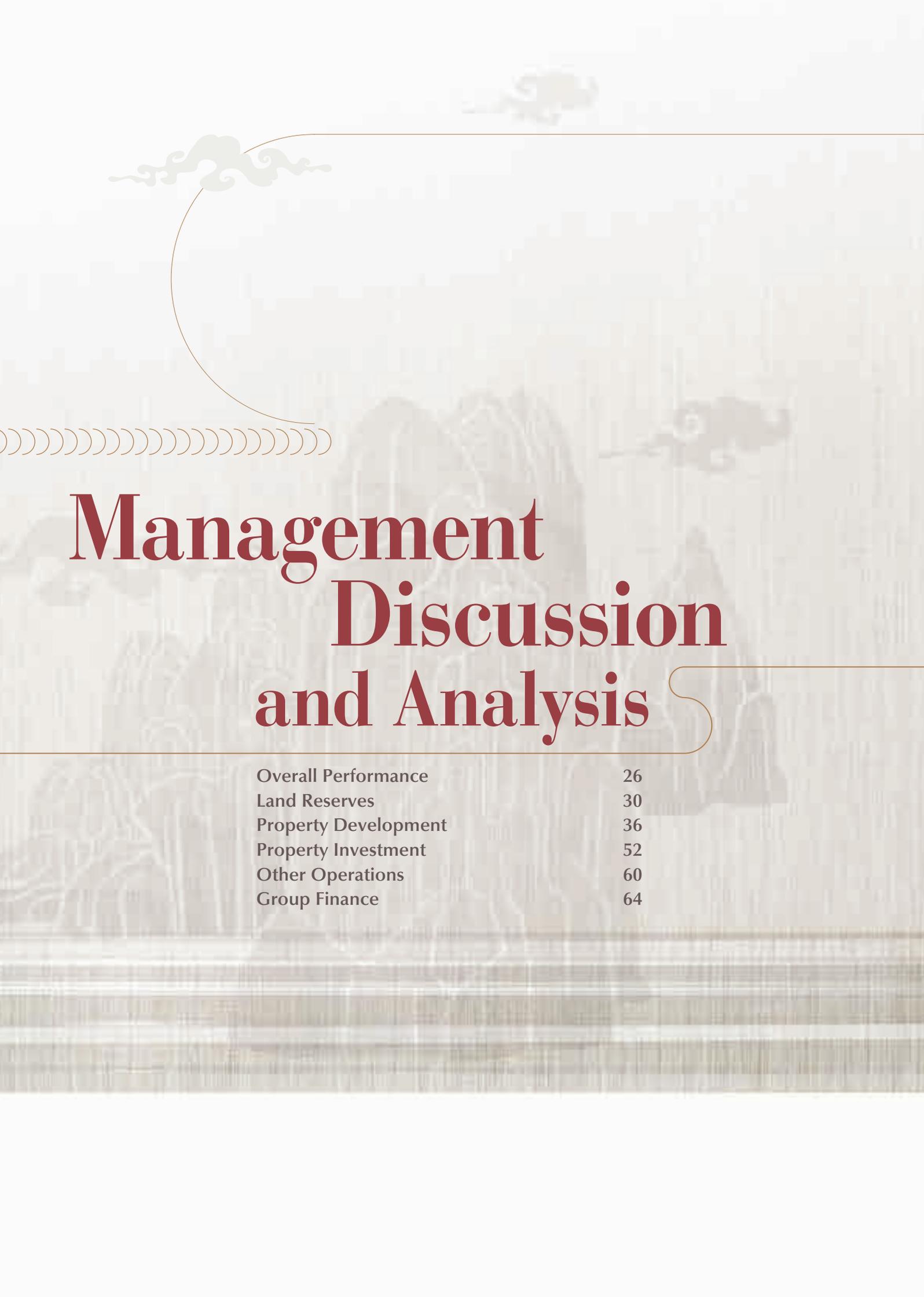
The Group continues to endeavour to develop into an evergreen enterprise. The Group continues to adopt a human resource management approach that focuses on personal development, motivation for staff, and a good working atmosphere. The Group is committed to aligning individual success with the core values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

### APPRECIATION

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

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

Hong Kong, 24 March 2015



# Management Discussion and Analysis

Overall Performance	26
Land Reserves	30
Property Development	36
Property Investment	52
Other Operations	60
Group Finance	64



The Arch, Xi'an

# Management Discussion and Analysis

## OVERALL PERFORMANCE



International Community, Jinan



## Management Discussion and Analysis (continued)

### OVERALL PERFORMANCE (CONTINUED)

#### IN 2014 THE GROUP HAD ANOTHER EXCELLENT YEAR

The Group's turnover amounted to HK\$120.00 billion (2013: HK\$82.47 billion), an increase of 45.5% (If the turnover of the joint ventures attributable to the Group is taken into account, the total amount increased to HK\$128.13 billion). Operating profit was HK\$42.41 billion (2013: HK\$28.35 billion). Net profit attributable to shareholders amounted to HK\$27.68 billion (2013: HK\$23.04 billion), an increase of 20.1%. Basic earnings per share were HK\$3.39 (2013: HK\$2.82), an increase of 20.1%.

The equity attributable to shareholders of the Company at the end of 2014 increased by 21.2% to HK\$133.33 billion (2013: HK\$109.97 billion).



## Management Discussion and Analysis (continued)

### OVERALL PERFORMANCE (CONTINUED)

#### PROPERTY SALES

Though facing a market environment encountering pressure from economic downturn and tight liquidity, the Group still achieved a satisfactory growth in its turnover and profit in 2014.

Turnover of property sales, including share of turnover of joint ventures, was HK\$124.39 billion (2013: HK\$96.61 billion), increasing by 28.7%. Turnover from property sales mainly related to property projects such as International Community in Jinan, No. 1 Lake Lantern and Glorious City in Foshan, La Cite in Shenyang, the Phoenix in Nanjing, the Wetland in Hangzhou, International Community in Ningbo, No. Eight Mansion in Suzhou, Glorious International in Xiamen, the Paragon in Macau and some joint ventures' projects such as the Amethyst in Shanghai, International Community in Chongqing and the Glorious in Wuhan.

Profit from property sales (including the Group's share of profits of associates and joint ventures) amounted to HK\$37.69 billion (2013: HK\$27.32 billion), showing an increase of 38.0%.

#### PROPERTY RENTAL

Turnover from property rental of the Group for the year amounted to HK\$1.18 billion (2013: HK\$860 million), an increase of 38.2%. The rise in rental income was mainly due to higher market rental and occupancy rate. Segment results amounted to HK\$6.03 billion which include an increase in the fair value of investment properties amounting to HK\$5.17 billion (net fair value gain after deferred tax is HK\$3.85 billion).



La Cite, Shenyang

## Management Discussion and Analysis (continued)

### OVERALL PERFORMANCE (CONTINUED)

#### OTHER OPERATIONS

Turnover from other operations amounted to HK\$2.56 billion (2013: HK\$3.00 billion), a decrease of 14.6%, mainly derived from property management and Hua Yi design businesses.

Turnover from property management amounted to HK\$2.01 billion (2013: HK\$1.77 billion), an increase of 13.6%. The Group is dedicated to offer the finest service to its residents and tenants. As at the end of 2014, the Group managed a total GFA of approximately 50.00 million sq m.

Turnover from Hua Yi design business amounted to HK\$300 million (2013: HK\$480 million), a decrease of 37.5%. Since its establishment over 20 years ago, Hua Yi has completed about 1,500 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 seeking to enhance its competitiveness in the industry through its consistent innovation in order to achieve steady high-quality balanced growth.



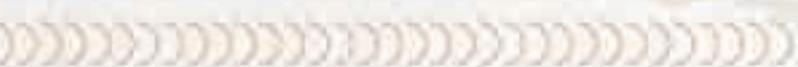
No. Eight Mansion, Suzhou

## Management Discussion and Analysis (continued)

### LAND RESERVES



International Community, Yantai

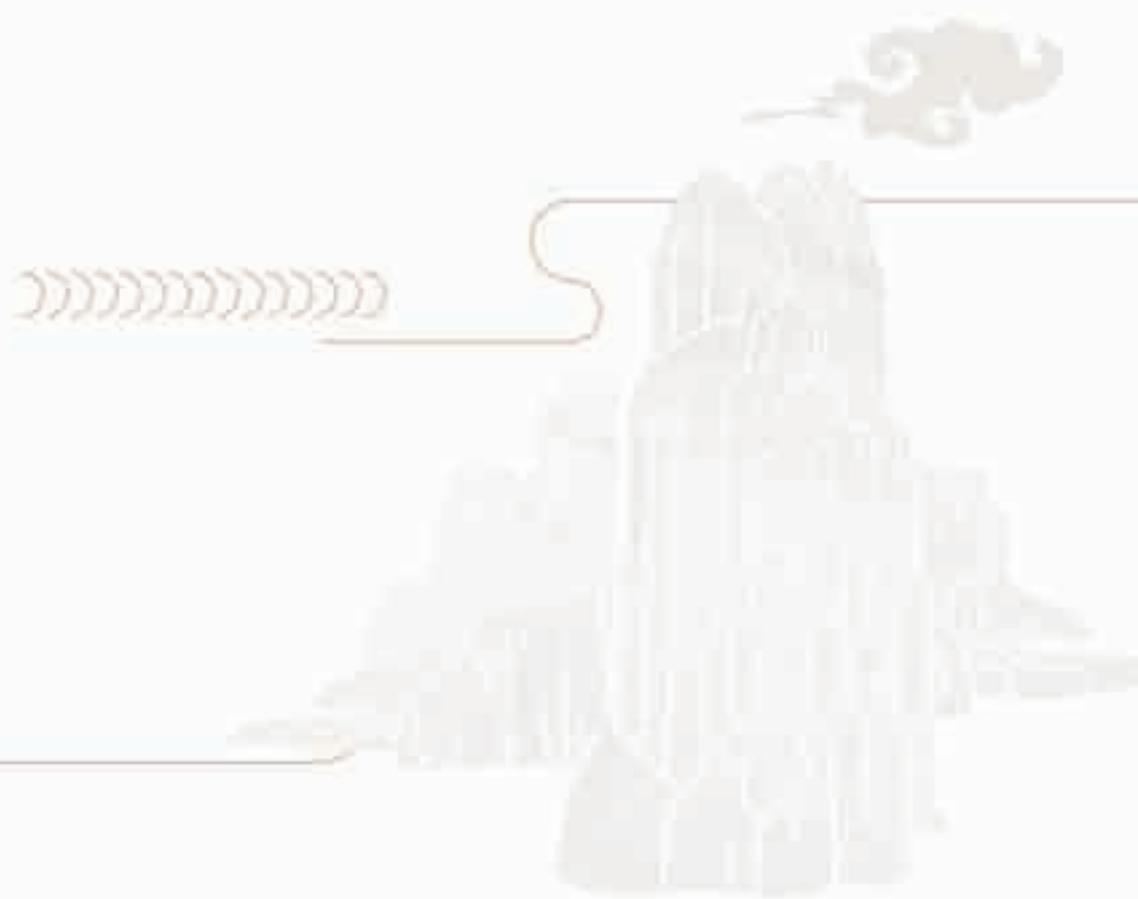


## Management Discussion and Analysis (continued)

### LAND RESERVES (CONTINUED)

#### Annual Summary

- 17 parcels of land were acquired by the Group in 13 mainland cities, providing a total GFA of 9.04 million sq m (attributable interest of 8.60 million sq m);
- 2.70 million sq m of land reserves were acquired by the Group's associate, COGO, in four third-tier mainland cities; and
- At the end of 2014, total GFA of the land reserve owned by the Group amounted to 37.35 million sq m (attributable interest of 34.96 million sq m); COGO had total land reserves of 12.07 million sq m (attributable interest of 11.37 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 overall 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 an appropriate land investment strategy is the key to the success of a property developer. The Group centralises decisions regarding land acquisition, which are made by senior management. Property development is a capital-intensive business of a cyclical nature, subject further to the impact of government policies from time to time in the case of mainland China. In recent years, there has generally been a requirement to make full payment of land premiums within a short period. Taking all these factors into account, the Group attaches greater importance to the quality than the quantity of land acquired, as any locking up of substantial funds in land reserves could result in a significant financial burden that restricts opportunities to acquire high quality land when the market goes down. Therefore, the Group adheres to a prudent land policy and generally maintains prime land reserves that are sufficient to meet its property development requirements for four to five years.

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 the economic environment, trends in the property market, funding capabilities, the financial resources on hand, the land bank on hand, and the quality and costs of new land parcels. With solid financial strength and consistently practising prudent financial management, the Group is always financially ready to acquire quality land sites when the opportunity arises. Indeed, this is one of the Group's key competitive advantages. We generally commit more financial resources to cities where we have reported outstanding sales, to ensure sustainable growth and maintain market leadership in these cities. Whenever the Group establishes a presence in a city, it will strive to first become one of the top five and eventually one of the top three players in that city. As at the end of 2014, the Group ranked among the top five property developers in 12 cities, including Suzhou, Shenyang, Jinan, Xi'an, etc. On the other hand, the Group also endeavours to develop a comprehensive nationwide network, to avoid overconcentration of resources in a certain city or region, with a view to balancing risks arising from economic and market volatility.

The Group acquired 17 parcels of land in 13 mainland China cities including Beijing, Guangzhou, Xi'an, Qingdao, Jinan, Tianjin, Harbin, Taiyuan, Wuxi, Foshan, Kunming, Dalian and Zhengzhou, for a total consideration of approximately HK\$48.5 billion, providing additional GFA of approximately 9.04 million sq m (attributable interest of 8.60 million sq m). During the first quarter of 2014, the Group continued its initiative in land acquisition, and acquired nine parcels of land with an aggregate GFA of 6.39 million sq m. From the second quarter, the Group became more selective in land acquisition, as market sentiment was dampening with tight liquidity in the real estate market. The Group acquired eight parcels of land, adding new GFA of only 2.65 million sq m. in aggregate, which was far less than that acquired in the first quarter. After acquiring 2.70 million sq m of land parcels in four mainland China cities during the first quarter, COGO did not acquire any more land, reflecting difficult business conditions in third-tier cities in China during 2014.

At the end of 2014, the Group had a total land reserve of approximately 37.35 million sq m (an attributable interest of 34.96 million sq m), in 31 mainland China cities and in Hong Kong and Macau. The Group's land reserves are relatively evenly distributed throughout Northern region (35.2%), Hua Bei region (18.1%), Hua Dong region (17.0%), Hua Nan region (15.9%) and Western region (13.4%). Land reserves held by the Group in the four first-tier mainland cities account for only 8.8% of its total land reserves, and this situation is not expected to change significantly in future. Land in first-tier cities is in scarce supply and intensely sought in land auctions despite being expensive. While the Group will not join in irrational contests for land in first-tier cities, it will nevertheless seek to actively acquire land through innovative means, to maintain market share in these cities. The Group also believes that it can continue to develop and achieve sound results in first-tier cities.

## Management Discussion and Analysis (continued)

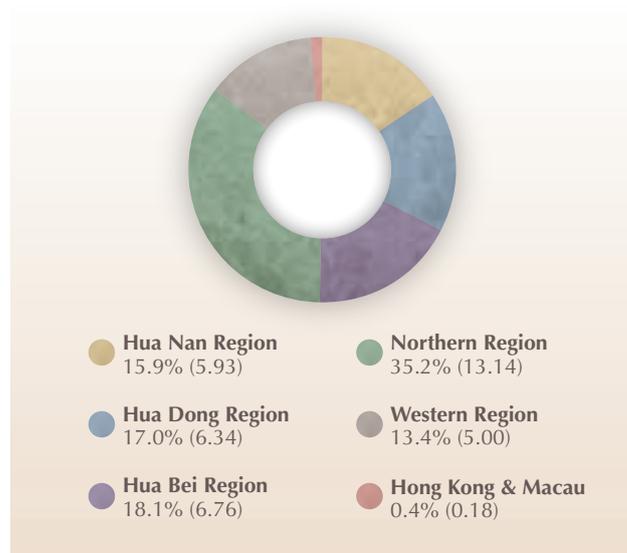
### LAND RESERVES (CONTINUED)

Profit contributions from the Group's small land reserves in Hong Kong and Macau (180,000 sq m representing 0.4% of total land reserves), typically high quality and able to provide overall satisfactory returns, are expected to substantially increase in 2015.

It is expected that the property market in mainland China will remain stable in 2015. The Group will seize opportunities to acquire prime sites at competitive prices, with a target of 10 million sq m. From January 2015 to the end of February 2015, the Group had acquired two parcels of land in two mainland cities, with a total GFA of 1.63 million sq m, while COGO did not acquire any land parcel in the first two months for 2015.

### BREAKDOWN OF LAND RESERVES BY REGION

million sq m



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

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

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

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

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

## Management Discussion and Analysis (continued)

### LAND RESERVES (CONTINUED)

#### NATIONAL COVERAGE OF THE GROUP

##### Land Parcels added in 2014

Project name	Land Area ('000 sq m)	Total GFA ('000 sq m)
<b>Hua Nan Region</b>		
Guangzhou	Liwan District #1 Project *	140
Guangzhou	Liwan District #2 Project	36
Foshan	Nanhai District Guicheng Project	66
<b>Hua Dong Region</b>		
Wuxi	Binhu District Project	136
<b>Hua Bei Region</b>		
Beijing	Shijingshan District Project	107
Tianjin	Hexi District #1 Project	78
Tianjin	Hexi District #2 Project	83
Jinan	Licheng District Huashan Project	600
Zhengzhou	Jinshui District Project	66
Taiyuan	Wanbailin District #1 Project	45
Taiyuan	Wanbailin District #2 Project	59
<b>Northern Region</b>		
Qingdao	Jimo City Tianheng Town Project	872
Dalian	Ganjingzi District Project	96
Harbin	Qunli New District Project	183
<b>Western Region</b>		
Xi'an	Chanba New District Project	84
Kunming	Wuhua District Project #1	55
Kunming	Wuhua District Project #2	36

\* This project requires the Group to build relocation housing with a GFA of 212,400 sq m.

##### Total Land Reserves

City	GFA ('000 sq m)
<b>Hua Nan Region</b>	
Shenzhen	555
Foshan and Zhongshan	1,718
Guangzhou	1,724
Changsha	249
Xiamen	41
Fuzhou	730
Zhuhai	916
<b>Hua Dong Region</b>	
Suzhou	969
Nanjing	1,436
Ningbo	1,225
Hangzhou	999
Nanchang	140
Shanghai	571
Wuxi	999
<b>Hua Bei Region</b>	
Beijing	426
Tianjin	1,310
Jinan	3,434
Wuhan	210
Zhengzhou	272
Taiyuan	1,108
<b>Northern Region</b>	
Changchun	2,420
Qingdao	1,722
Dalian	539
Shenyang	5,978
Yantai	1,497
Harbin	987
<b>Western Region</b>	
Chengdu	797
Xi'an	1,215
Chongqing	2,115
Kunming	869
<b>Hong Kong &amp; Macau</b>	
Hong Kong	110
Macau	72
<b>Total</b>	<b>37,353</b>

Management Discussion and Analysis (continued)

LAND RESERVES (CONTINUED)



## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT



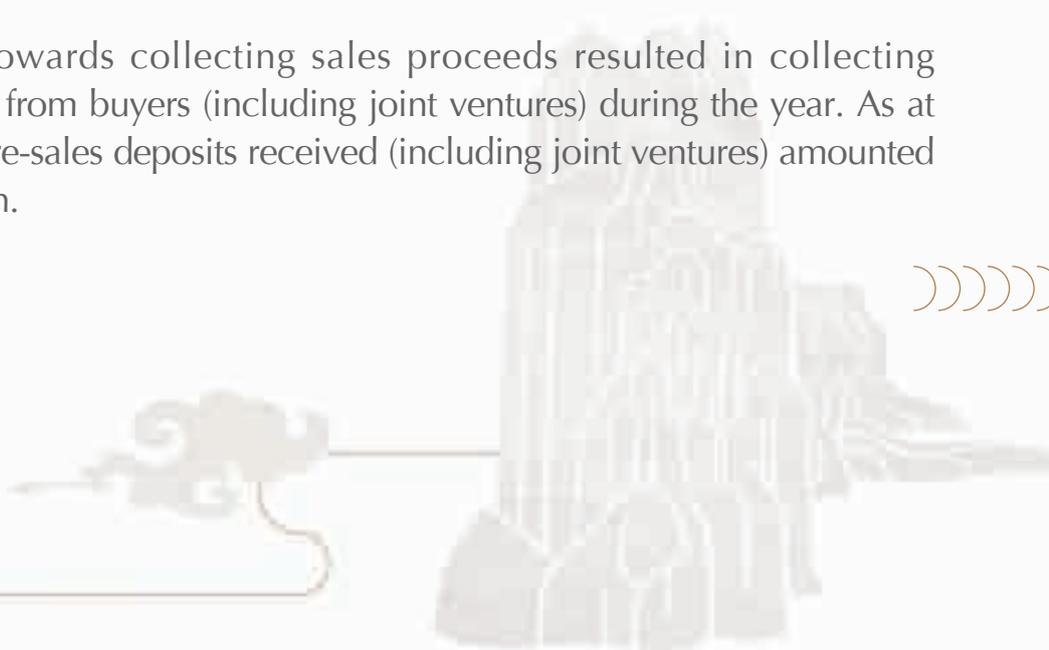
Glorious Garden, Zhengzhou

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Annual Summary

- Projects (including joint ventures) with GFA of about 10.77 million sq m were completed;
- Turnover amounted to HK\$116.25 billion, comprising the value of sales amounting to HK\$99.43 billion from projects completed in 2014 and HK\$16.82 billion from projects completed in previous years;
- A total of 9.40 million sq m of property (including joint ventures and associates) was sold, raising HK\$140.81 billion;
- Gross profit margin for property development projects of PRC property development remained at a satisfactory level; operating profit was increased by 56.1% to HK\$34.37 billion;
- Turnover of Hong Kong and Macau property development was HK\$3.79 billion; operating profit was increased by 13.8% to HK\$1.73 billion; and
- Increased effort towards collecting sales proceeds resulted in collecting HK\$117.70 billion from buyers (including joint ventures) during the year. As at the end of 2014, pre-sales deposits received (including joint ventures) amounted to HK\$51.32 billion.



## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

Domestic demand for property remains robust as a result of China's sound economic development, rising personal incomes and the ongoing urbanisation process, which underscores the Group's confidence in the long-term development prospects for the domestic property market. Overall sentiment regarding the property market has improved, with the unleashing of end-user demand in the market since the previous year, following the gradual relaxation of the government's regulatory control policy in favour of a more market-oriented approach to property market regulation. On the other hand, it is perfectly normal that the domestic property market experienced a slowdown in tandem with the general slowdown of the economy, after sustained high growth for more than a decade without major corrections, except in 2008, and the market will be poised

for healthier development after undergoing market consolidation. The property market atmosphere became tense in the first half of the year, as the domestic economic slowdown and financial market reforms resulted in tight liquidity in the market, and property developers in unfavourable financial situations — with excessive borrowing and high inventory levels, and who were therefore eager to secure cash flow — resorted to drastic price cuts. Fortunately, conditions gradually improved in the second half of the year. Except for the four tier-1 cities, tightening measures were generally relaxed as the decline in prices slowed and trading increased. Notably, the collection of sales amounts increased substantially before the end of the year, relieving cash flow pressure for property developers.

#### 2014 GROUP'S CONTRACTED SALES IN AREA BY REGION

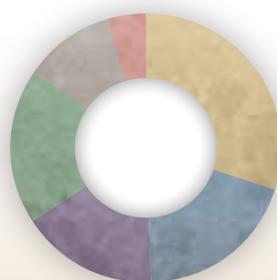
'000 sq m



<b>Hua Nan Region</b> 23.8% (1,570)	<b>Northern Region</b> 30.7% (2,024)
<b>Hua Dong Region</b> 17.4% (1,146)	<b>Western Region</b> 11.9% (782)
<b>Hua Bei Region</b> 15.9% (1,052)	<b>Hong Kong &amp; Macau</b> 0.3% (23)

#### 2014 GROUP'S CONTRACTED SALES AMOUNT BY REGION

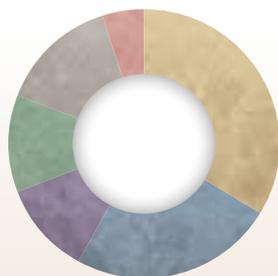
HK\$ million



<b>Hua Nan Region</b> 30.0% (32,961)	<b>Northern Region</b> 18.6% (20,376)
<b>Hua Dong Region</b> 19.7% (21,557)	<b>Western Region</b> 10.9% (11,984)
<b>Hua Bei Region</b> 16.2% (17,733)	<b>Hong Kong &amp; Macau</b> 4.6% (5,063)

#### 2014 GROUP'S GROSS PROFIT CONTRIBUTION BY REGION

HK\$ million



<b>Hua Nan Region</b> 33.7% (12,683)	<b>Northern Region</b> 11.7% (4,401)
<b>Hua Dong Region</b> 24.5% (9,231)	<b>Western Region</b> 14.0% (5,297)
<b>Hua Bei Region</b> 11.1% (4,189)	<b>Hong Kong &amp; Macau</b> 5.0% (1,872)

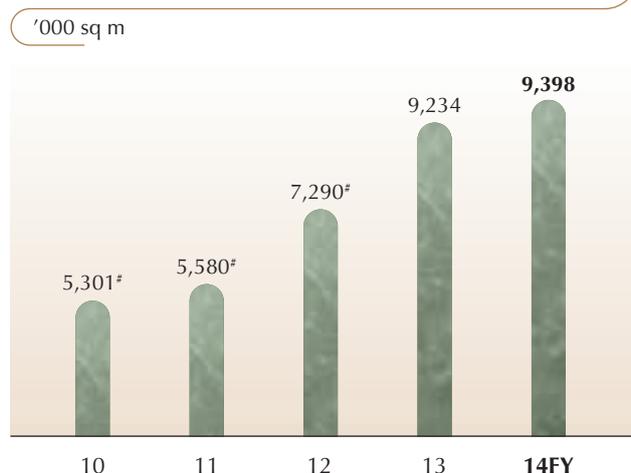
## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

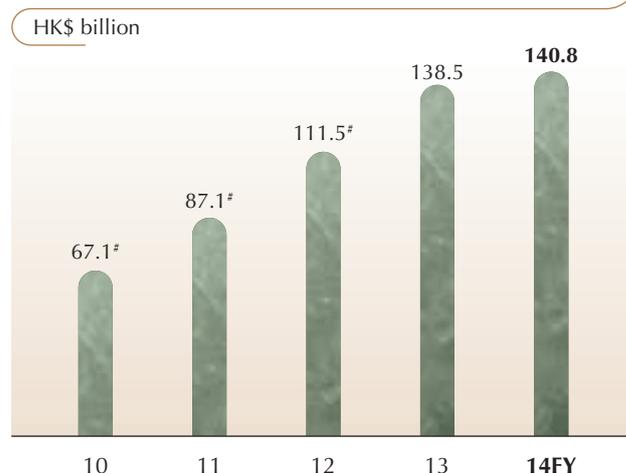
As an industry leader and when its annual sales exceed HK\$100 billion, the Group must be able to sustain relatively balanced sales for each month, regardless of market sentiment. Amid a somewhat lacklustre market in the first half of the year, while certain property developers sought to secure cash inflow by slashing prices, the Group completed half of its annual sales target by exercising moderate control over the speed of sales. As market sentiment continued to improve during the second half of the year, contracted property sales (including sales by joint ventures and associates) for the year just exceeded the annual target of HK\$140.0 billion, with a final sales amount of HK\$140.81 billion. Properties with aggregate GFA of 9.40 million sq m

were sold. In mainland China, properties with aggregate GFA of 9.37 million sq m were sold for a total of HK\$135.75 billion, accounting for 96.4% of the total sales. Sales in Hong Kong and Macau for the year increased substantially to HK\$5.06 billion, following improved market sentiment. For the year as a whole, the Group reported record-high sales with satisfactory selling prices, which were attributable to the management's shrewd judgement regarding market changes and flexible marketing strategies, as well as the significant brand name effect of "China Overseas Property" in driving sales and alleviating the downward pressure on prices.

#### CONTRACTED SALES AREA\*



#### CONTRACTED SALES AMOUNT\*



#### 2014 CONTRACTED SALES AMOUNT BY MONTH\*



\* Including joint ventures and associates

<sup>#</sup> Including subscribed property sales

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

In response to market changes, the Group accelerated construction of its property projects, completing a total GFA (including joint ventures) of about 10.77 million sq m. The value of sales recognised as the Group's turnover in 2014 was HK\$99.43 billion. Furthermore, the level of the Group's sales of properties completed as at the end of 2013 was satisfactory, with about 720,000 sq m sold for approximately HK\$16.82 billion. Hence, turnover for property development increased by 47.9% to HK\$116.25 billion. The operating profit reached HK\$36.10 billion. In pursuit of greater operating scale, the Group must accelerate the pace of its development and sales in all its projects. This will result in improved cash inflow, asset turnover and return on shareholders' funds, but the gross profit margin of projects will inevitably be squeezed. Setting aside the effects of the affordable housing and the three projects repurchased from the real estate fund, the gross profit margin for property development projects of the Group remained at a satisfactory and industry-leading level.

At the end of the year, the Group had approximately 2.26 million sq m of properties held for sale, with book cost of approximately HK\$29.39 billion. To a certain extent, the increase in properties held for sale reflected more difficult market conditions in 2014. Given its sound financial conditions, however, the Group did not need to lower the prices of its properties to drive sales as other developers had. Sales of properties on hand are expected to increase substantially next year and will help to increase the amount of sales recognised as turnover. In line with the Group's emphasis on the collection of sales proceeds, cash inflow from sales for the Group and the joint ventures amounted to over HK\$117.70 billion. Presales deposits amounted to HK\$51.32 billion as at the end of the year.

In 2015, sentiment in the mainland China property market is expected to be stable. Hence, 2015 will be a challenging year for most 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 2015, and sees sound opportunities to expand its market share, acquire prime sites and consolidate its market leadership. Prospects for the property markets in Hong Kong and Macau remain stable in 2015. The Group will dedicate its effort to marketing activities for projects on hand, and continue to expand its business in Hong Kong and Macau when appropriate.

The Group strives to expedite its development through joint ventures and mergers and acquisitions. Nevertheless, with the growth in its financial strength, the Group has been engaged in fewer joint venture projects in recent years. As at the end of December 2014, the Group's investment interest in 16 joint ventures plus amounts due from and deducted amounts due to joint ventures decreased significantly to HK\$8.98 billion. Sales from joint ventures reached HK\$13.08 billion, and turnover amounting to HK\$15.25 billion was recognised. Cash inflow from sales for the year amounted to approximately HK\$15.61 billion. Pre-sales deposits amounted to HK\$4.47 billion at the year end. All the joint ventures were financially sound. As at the end of the year, three projects owed outstanding loans of approximately HK\$3.33 billion, while cash held by the joint ventures totalled HK\$6.83 billion. As most major joint venture projects had entered into peak investment returns in the previous year, their profit contributions for the full year of 2014 decreased significantly, to approximately HK\$1.10 billion. Furthermore, COGO, the Company's major associate, is expected to effectively complement the business of China Overseas Property. COGO reported fair performance for the year, with net profit of approximately HK\$1.45 billion. The Group recorded a net profit contribution of approximately HK\$480 million from COGO.

On 5 August 2013, the Company announced the intention of the controlling shareholder, China State Construction Engineering Corporation Limited ("CSCECL"), to inject certain China property businesses into the Group. Subsequently, on 28 January 2014, the Company announced the transitional arrangements for the operation and management of the businesses to be injected would be entrusted to the Company. The Board is pleased to announce that negotiation with CSCECL on the implementation of the asset injection has been completed. Please refer to the announcement dated 24 March 2015 on the acquisition by the Group of property portfolio from CSCECL and its subsidiaries and issue of the Company's shares to China Overseas Holdings Limited, a wholly owned subsidiary of CSCECL and the immediate holding company of the Company.

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

GFA of Projects Completed (including joint ventures) in 2014 by Region (unit: '000 sq m)	
	GFA
<b>Hua Nan Region</b>	
Shenzhen	406
Guangzhou	497
Foshan	1,192
Changsha	490
Xiamen	227
Zhuhai	231
<i>Sub-total</i>	<b>3,043 (28.2%)</b>
<b>Hua Dong Region</b>	
Suzhou	818
Nanjing	260
Ningbo	423
Hangzhou	203
Nanchang	254
Shanghai	238
<i>Sub-total</i>	<b>2,196 (20.4%)</b>
<b>Hua Bei Region</b>	
Beijing	160
Tianjin	179
Jinan	786
Wuhan	150
<i>Sub-total</i>	<b>1,275 (11.8%)</b>
<b>Northern Region</b>	
Changchun	358
Qingdao	710
Dalian	191
Shenyang	1,699
Yantai	120
<i>Sub-total</i>	<b>3,078 (28.6%)</b>
<b>Western Region</b>	
Chengdu	192
Xi'an	507
Chongqing	208
Kunming	234
<i>Sub-total</i>	<b>1,141 (10.6%)</b>
<b>Hong Kong &amp; Macau</b>	
Macau	<b>40 (0.4%)</b>
<b>Total</b>	<b>10,773</b>

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

In 2015, it is planned that the Group and the joint ventures together will commence development of an area of 13 million sq m, bringing the total area under development to over 30 million sq m at the peak time; projects with GFA of 12 million sq m will be completed in 2015.

#### GFA of Projects to be completed (including joint ventures) in 2015 by Region (unit: '000 sq m)

Region	GFA	
Hua Nan Region	2,646	(22.1%)
Hua Dong Region	3,350	(27.9%)
Hua Bei Region	1,113	(9.2%)
Northern Region	2,912	(24.3%)
Western Region	1,895	(15.8%)
Hong Kong & Macau	84	(0.7%)
<b>Total</b>	<b>12,000</b>	

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development

## Hua Nan Region

### La Cite, Fuzhou

(100%-owned)

Location:	Minhou County, Fuzhou
Site area:	174,308 sq m
GFA:	730,080 sq m
Year of expected completion:	2017

Being China Overseas Property's first development project in Fuzhou, La Cite, Fuzhou is situated at the Fuzhou University City and is inside the Haixi Hi-tech Industrial Park. It is well benefited by this high-end zone of well-developed commercial and living facilities. Abundant education resources could be found nearby. The project comprises residential buildings, villas, car parks, retail shops, apartments and hotel, providing approximately 7,000 residential units. The project will be developed in four phases, scheduled for completion in 2016 and 2017, respectively. Phase 1 is currently under construction with good progress. Presales is scheduled to be launched in February 2015, while delivery is expected to commence in April 2017.



### Glorious City, Shenzhen

(100%-owned)

Location:	Longhua District, Shenzhen
Site area:	52,460 sq m
GFA:	366,375 sq m
Year of expected completion:	2016

Glorious City, Shenzhen is the first integrated urban complex project developed by the Group in Shenzhen. It is located in Longhua New District near the Shenzhen North Station — the largest transportation hub in Asia

with comprehensive port functions and connecting transports. High-end commercial, hotel and office facilities will be built in the district over the next three years to meet the demand driven by the economic growth of Shenzhen-Hong Kong metropolis in 50 years. The project will be developed in three phases, comprising residential units, commercial properties and commodity houses. Phase 1 comprises

residential buildings and commercial buildings. Phase 2 comprises residential buildings, commercial buildings and independent commercial facilities. Phase 3 comprises commodity houses. The entire project is scheduled for completion in October 2016 and for occupation by July 2017. The presales launched in November 2014 was met with overwhelming response from buyers, with 90% of the offered units sold on the first day of launch.



## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)



### Hua Nan Region (continued)

#### La Cite, Foshan

(100%-owned)

Location:	Nanhai District, Foshan
Site area:	112,291 sq m
GFA:	506,279 sq m
Year of expected completion:	2015

Located in Nanhai District, La Cite, Foshan is an above-station property development project at Leigang Station of Guangzhou-Foshan Metro Line which enjoys convenient transportation. It is positioned as the “benchmark of luxurious residential community in the city central of Foshan”. The project comprises super highrise buildings with approximately 2,700 units with unit GFA ranging from 90 to 220 sq m and a 100,000 sq m Unipark shopping mall. The project was awarded by the Architectural Society of China for the “Comprehensive Award, National Habitation Competition 2014”, highlighting recognition from the peers industry for La Cite, Foshan’s excellence in architecture, planning, environment and technology. Construction of the main building structure is currently in progress and completion is scheduled for December 2015. Thousands of potential buyers showed up at the first presales launch in November 2014 and a total of 376 units were sold on that day for a gross amount of RMB600 million.

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)

## Hua Dong Region

### La Cite, Shanghai

(100%-owned)

Location:	Minxing District, Shanghai
Site area:	78,982 sq m
GFA:	242,943 sq m
Year of expected completion:	2015

Situated at Minxing District, Shanghai and the outer rings of the suburb, La Cite, Shanghai is positioned as a medium to high end product. With the benefit of convenient transportation routes, livable ecological environment, well-developed ancillary facilities, comfortable structural design, high-quality property management service and high-end renovation, it provides owners with brand new living experience. The residential part of the project, comprises eleven 18-storey mini-highrise buildings and two 25-storey highrise buildings. Completion is scheduled for November 2015. On 27 September 2014, 500 units in La Cite, Shanghai were launched for presales and 144 units were sold by the end of the day, generating sales revenue of approximately to RMB650 million.



### International Community, Nanjing

(100%-owned)

Location:	Jiangning District, Nanjing
Site area:	234,071 sq m
GFA:	931,382 sq m
Year of expected completion:	2016

As China Overseas Property's largest development project in Nanjing, Nanjing International Community in Jiangning District will be developed into a complex comprising residential and commercial buildings, offices and hotel apartments that possesses comprehensive ancillary facilities and premium natural landscape resources. The project will be developed in 6 phases to provide a total GFA of

approximately 900,000 sq m with highrise buildings, mini-highrise buildings, multi-storey houses and premium apartments. Construction is progressing well and the development will be completed by phases. Phase 1 and Phase 2 are scheduled for completion in 2015, while Phases 3 and 4 are expected to be completed in 2016. Phases 5 and 6 are currently under planning. The first sales launch was conducted in 2013 and met with enthusiastic response. As at the end of 2014, about 2,500 units had been sold.

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)



### Hua Dong Region (continued)

#### The Phoenix, Wuxi

(51%-owned)

Location:	Binhu District, Wuxi
Site area:	185,732 sq m
GFA:	613,219 sq m
Year of expected completion:	2017

Located in the central area of Taihu New Town, The Phoenix, Wuxi represents China Overseas Property's debut project in Wuxi. It will be developed into a high-end community offering GFA of approximately 610,000 sq m over a site of approximately 186,000 sq m which enjoys a wide range of top-notch facilities nearby. The project comprises a total of 15 highrise buildings, 25 mini-highrise buildings and 4 blocks of retirement facilities. Commercial buildings are provided on the ground level of the residential buildings. It will be developed in 4 phases: Phase 1 comprising approximately 117,000 sq m of residential and commercial buildings is scheduled to be completed by the end of 2015, Phase 2 comprising approximately 293,500 sq m of residential and commercial buildings is scheduled to be completed in June 2016 and Phase 3 comprising approximately 110,900 sq m of residential and commercial buildings, kindergarten and retirement apartments, is scheduled to be completed by the end of 2017, while Phase 4 comprising approximately 91,900 sq m of residential and commercial buildings is under planning.

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)

## Hua Bei Region

### Paramount Jade, Jinan

(100%-owned)

Location:	Licheng District, Jinan
Site area:	599,462 sq m
GFA:	1,782,359 sq m
Year of expected completion:	2017

Paramount Jade, Jinan located in the northeastern area of Jinan within Licheng District, where the development of the district is strongly encouraged by the Jinan Municipal Government. It is positioned to be a medium to high-end living community comprising green features, environmental protection, ecological resources and tourism facilities. The project is developed in 4 phases according to site distribution, comprising in aggregate 7,307 units in highrise buildings, 372 units in mini-highrise buildings, 96 units in multi-storey buildings and 242 villas. Phases 1 to 3 are scheduled for completion in December 2016 while Phase 4 is scheduled for completion in December 2017. Currently, construction of Phases 1 to 3 is in good progress. About 15,000 potential customers attended the first sales

launch conducted on 16 November 2014, smashing numerous domestic records for units and GFA sold as well as transaction amounts.



## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)



### Hua Bei Region (continued)

#### Glorious Garden, Zhengzhou (100%-owned)

Location:	Jinshui District, Zhengzhou
Site area:	66,121 sq m
GFA:	271,850 sq m
Year of expected completion:	2016

Glorious Garden, Zhengzhou is located at a site of approximately 66,000 sq m in Jinshui District, Zhengzhou, providing GFA of approximately 270,000 sq m. In addition to a park of green pasture, substantial public resources such as educational, medical and commercial facilities in the neighborhood are also available to the residents. As the debut project of China Overseas Property in Zhengzhou, the development is designed to create a comfortable and superior living environment for the citizens of Zhengzhou and to introduce a new experience to the Zhengzhou market. The project comprises 19 buildings, including 8 multi-storey buildings, 1 mini-highrise building, 9 highrise buildings, 1 public rental house building and 1 kindergarten. Construction has started with smooth progress. The entire project is scheduled to be completed in 2016.



## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)

## Northern Region

### La Cite, Harbin

(100%-owned)

Location:	Daoli District, Harbin
Site area:	183,094 sq m
GFA:	602,899 sq m
Year of expected completion:	2018

La Cite is located at the junction of Rong Jiang Road and Qun Li No. 6 Avenue in Qun Li New District, Harbin. It is divided into Phase 1 (Zone I), Phase 1 (Zone II) and Phase 2. Construction work is progressing smoothly at the moment. The entire project comprises 25 highrise buildings, among which Phase 1 (Zone I) will offer GFA of 95,212 sq m in 5 highrise buildings, Phase 1 (Zone II) will offer GFA of 262,269 sq m in 11 highrise buildings and Phase 2 will offer GFA of 245,418 sq m in 9 highrise buildings. Phase 1 (Zone I), Phase 1 (Zone II) and Phase 2 are scheduled for completion by June 2016, June 2017 and June 2018, respectively.



### International Community, Yantai (100%-owned)

Location:	Gaoxin District, Yantai
Site area:	451,574 sq m
GFA:	1,379,651 sq m
Year of expected completion:	2019

International Community, Yantai, is the 15th international community project of China Overseas Property in China. Located at the junction of Hai Yue Road and Hang Tai Road in Gaoxin District, Yantai, it is supported

by a comprehensive transportation network and a wide array of ancillary facilities in the neighbourhood. In addition to highrise buildings, mini-highrise buildings and multi-storey garden houses, the project is also equipped with a 100,000 sq m stylish commercial street with various themes and features, such as the boutique shopping street, living supplies street and leisure dining street in order to

meet the needs of residents in every aspect. The project will be developed in 4 phases. Construction of Phase 1 started in May 2014, offering GFA of 500,200 sq m. Construction of Phase 2 is scheduled to commence in June 2015 and will be completed in December 2016, offering GFA of 370,200 sq m. The entire project is scheduled to be completed by December 2019.

## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)



## Western Region

### Royal Peninsula, Kunming (65%-owned)

Location:	Guandu District, Kunming
Site area:	172,635 sq m
GFA:	377,061 sq m
Year of expected completion:	2015

Located on Dianchi Peninsula near Dianchi Lake in Guandu District, Kunming, Royal Peninsula stands out with the distinctive characteristics of a low-density waterfront residential complex, surrounding by national-grade sports facilities. The project comprises 50 mini-highrise residential buildings (each contains 11 storeys), 1 commercial building and 1 kindergarten. It is scheduled for completion in December 2015. It was named among the Most Acclaimed Kunming Lifestyle Property 2014 by Sohu and China Realty Research Centre (Yunnan Branch).



### The Arch, Xi'an (100%-owned)

Location:	Qujiang New District, Xi'an
Site area:	188,947 sq m
GFA:	670,280 sq m
Year of expected completion:	2016

Situated on a core site in Qujiang New District, The Arch, Xi'an, enjoys fast and convenient traffic access of the city's transportation hub. With Qujiang

Lake and Datang Furongyuan in the north and Yanmeng Lake in the east, the project possesses rich landscape resources. It offers GFA of 670,280 sq m over a site area of 188,947 sq m and a total of 4,216 units in 37 building blocks. Completion is scheduled for 2016.



## Management Discussion and Analysis (continued)

### PROPERTY DEVELOPMENT (CONTINUED)

#### Major Projects Under Development (continued)

Name of property and location	Group's interest %	Intended use	City	Year of expected completion	GFA under development '000 sq m
La Cite, Nanhai District	100	Commercial/ Residential	Foshan	2015	506
La Cite, Minxing District	100	Commercial/ Residential	Shanghai	2015	243
Royal Peninsula, Guandu District	65	Residential	Kunming	2015	377
The Peace Land, Binhai New District	100	Residential	Qingdao	2015	217
The Phoenix, Gusu District	100	Residential	Suzhou	2015	434
The Carat, Newly Reclaimed Land	85	Commercial/ Residential	Macau	2015	34
Glorious Garden, Jinshui District	100	Residential	Zhengzhou	2016	272
Glorious City, Longhua District	100	Commercial/ Residential	Shenzhen	2016	366
Residence Nine, Baoan District	100	Residential	Shenzhen	2016	188
The Arch, Qujiang New District	100	Residential	Xi'an	2016	670
Ningbo International Community, Yinzhou District	100	Residential	Ningbo	2016	610
Qingdao International Community, Licang District	100	Commercial/ Residential	Qingdao	2016	234
Nanjing International Community, Jiangning District	100	Commercial/ Residential	Nanjing	2016	931
Ap Lei Chau Project, Southern District	100	Residential	Hong Kong	2016	21
La Cite, Huanggu District	100	Commercial/ Residential	Shenyang	2016	1,073
Paramount Jade, Licheng District	100	Commercial/ Residential	Jinan	2017	1,782
The Phoenix, Binhu District	51	Residential	Wuxi	2017	613
Jinan International Community, Shizhong District	100	Commercial/ Residential	Jinan	2017	1,365
La Cite, Minhou County	100	Commercial/ Residential	Fuzhou	2017	730
La Cite, Daoli District	100	Residential	Harbin	2018	603
Yantai International Community, Gaoxin District	100	Residential	Yantai	2019	1,380
COLI City, Yuhong District	100	Residential	Shenyang	2020	1,934
Gate of Peace, Heping District	100	Commercial/ Residential	Shenyang	2021	2,276

## Management Discussion and Analysis (continued)

### PROPERTY INVESTMENT



Unipark Shopping Mall, Foshan

## Management Discussion and Analysis (continued)

### PROPERTY INVESTMENT (CONTINUED)

#### Annual Summary

- Investment properties held as at the end of 2014 amounted to 1,140,000 sq m.
- Currently, the total area of commercial property under development and yet to be developed amounts to about 3.80 million sq m. Over 50% of this area will be completed by the end of 2017.
- Annual rental income was HK\$1.18 billion.
- Increase in fair value of investment properties amounted to HK\$5.17 billion, mainly attributable to completed investment properties such as Beijing China Overseas Plaza, Beijing China Overseas Property Building and Shenyang China Overseas Plaza and investment properties under construction such as Zhuhai China Overseas Plaza and Zhuhai China Overseas Building.



## Management Discussion and Analysis (continued)

### PROPERTY INVESTMENT (CONTINUED)

Originated in the early 1990s with China Overseas Building in Wanchai, Hong Kong as its first investment property, China Overseas Commercial Properties has now expanded to many cities with thriving economies, including Hong Kong, Beijing, Shanghai, Chengdu, Qingdao, Xi'an, Shenyang, Jinan, Zhuhai, Nanjing, Wuhan, Tianjin, Hangzhou, Foshan, Fuzhou and Taiyuan, owning projects with GFA of over 5,000,000 sq m. China Overseas Commercial Properties has consolidated its superior resources in commercial properties and included a diversified and comprehensive range of products to create premium commercial developments underpinned by three leading series: "China Overseas" Grade A offices, Unipark shopping malls and star-rated hotels. Meanwhile, the Group has also been participating in the exploration of the prospect of municipal charitable facilities operation.

In 2011, the global launch of the brands of Unipark shopping malls of China Overseas was successfully held to officially unveil the business scope of China Overseas Commercial Properties, which was to be focused on offices and shopping malls, while maintaining a reasonable exposure to hotel properties. The event represented the first publication of a clearly-defined strategic road map for the Group's development in commercial properties.

The incorporation of 中海地產商業發展(深圳)有限公司 in Shenzhen in 2012 has signified not only a solid step towards the corporatised operation of the commercial property business of China Overseas, but also the Company's transformation from a traditional real estate developer to an integrated real estate business operator. Hence it is an important strategic decision for the business setup of China Overseas Property.

In November 2014, the commercial property business of China Overseas Property officially announced its China Overseas Grade A Office Cloud Business Brand Strategy as well as its strategic transformation from a traditional real estate property developer and operator to an integrated real estate operator. The cloud business which utilised the resources from China Overseas Grade A office buildings, their corporate tenants and their employees through the application of mobile internet technologies, with the aim to provide multi-dimensional value-added services such as daily life services for staff, corporate management services and corporate development services and to consolidate upstream and downstream business resources in the market.

"China Overseas" Grade A offices, located in Hong Kong and major cities in Mainland China, are typically urban business landmarks with superb quality, which are created by assembling top professional teams from China and abroad. Where a China Overseas Commercial Properties office tower stands, an urban business center will be developed. Underpinned by Grade A international standards, green features and innovative property services, "China Overseas" Grade A offices are premium business properties that possess a strong future and serve as a benchmark in the local markets. Widely acclaimed by Global top 500 companies and other industry leaders, "China Overseas" Grade A offices have become the gathering point for these top enterprises.

## Management Discussion and Analysis (continued)

### PROPERTY INVESTMENT (CONTINUED)

The Unipark shopping malls of China Overseas, where all the smiling faces of the city come together, bring together a variety of retail attractions, meeting consumer needs for shopping, dining, entertainment, leisure, education and cultural activities under one roof. Unipark shopping malls create a convenient, accessible and resourceful spot for consumption, leisure and entertainment and a splendid platform for experiencing one-stop shopping in the city. Five major cities, namely, Jinan, Shenyang, Nanjing, Foshan and Zhuhai, have been selected for the opening of the first Unipark shopping malls. Jinan Unipark Shopping Mall was opened on 29 September 2013, while Shenyang Unipark Shopping Mall was opened in 2014. In the next two to three years, the Unipark shopping malls in Nanjing, Foshan and Zhuhai will also commence operation.

China Overseas Properties has always attached great importance to the development of commercial properties and is committed to the strategy of increasing the weighting of its investment properties. With the continuous development and operation of the China Overseas Commercial Properties, investment properties will be accounting for an increasing share in the Group's overall property portfolio.

China Overseas Commercial Properties is committed to build a platform of cooperation for customers, partners and shareholders that would meet the development needs of various parties and facilitate ongoing growth in tenants' value, shareholders' value and brand value, with an aim to realise the vision of "co-generating wealth, sharing resources and winning the future together".

The investment properties can provide the Group with stable income, the long-term goal of the Group is to derive 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 investment properties such as Jinan China Overseas Plaza, Beijing China Overseas Building, Chengdu China Overseas International Center and Shenyang China Overseas Plaza in 2014, the Group held an aggregate of 1,140,000 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\$1.18 billion, representing an increase of 38.2% over 2013. Total rental income arising from Hong Kong and Macau amounted to HK\$160 million, while that from the mainland amounted to HK\$1.02 billion. Segment profit amounted to HK\$6.03 billion, which included an increase in fair value of investment properties of HK\$5.17 billion (net fair value gain after deferred tax is HK\$3.85 billion).

## Management Discussion and Analysis (continued)

### PROPERTY INVESTMENT (CONTINUED)

#### COMPLETED INVESTMENT PROPERTIES

Shenyang China Overseas Plaza comprises large-scale, premium shopping mall (“Unipark”) and Grade A offices, offering GFA of approximately 180,000 sq m. Following the successful commencement of Jinan Unipark Shopping Mall in 2013, Shenyang Unipark Shopping Mall, the second shopping centre held by the Group, also commenced operation in June during the year with an occupancy rate of 90%. Transportation is extremely convenient given its location within the first ring road at the junction of Ta Wan Street and Kun Shan West Road in Huanggu District. As the first commercial masterpiece of Huanggu District, the project embodies advanced, contemporary architectural concepts and blends local cultural elements into its building. With a variety of facilities, such as shopping, dining, entertainment, leisure, education and cultural activities, Shenyang Unipark Shopping Mall is dedicated to provide one-stop shopping experience to its customers. During its commencement period, it hosted some spectacular activities such as the Final Round of “The Voice of China — Season III (Liaoning)” which attracted an accumulated customer flow of 200,000. Meanwhile, the office portion of Shenyang China Overseas Plaza was also completed in June 2014 and leasing is underway with good progress.

Jinan Unipark Shopping Mall has become the most popular one-stop shopping centre in Jinan South. Through close cooperation between tenants and the Group’s professional team, the operation of Jinan Unipark Shopping Mall has been steadily improving with increasing popularities. The office component of China Overseas Plaza was also officially opened in June this year. While most office units in Jinan have been for sale, China Overseas Plaza is offered on a lease-only basis with an aim to become the prime Grade A office tower for lease in Quancheng. Leasing is currently underway with satisfactory progress.

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.

Beijing China Overseas Building is located on the north side of Chang An Street Western Extension in Shijingshan District, Beijing adjacent to Shi Jing Shan Road on Chang An Street and is supported by convenient transportation network. The project is completed in December this year and offer GFA of approximately 70,000 sq m in 2 Grade A offices towers together with commercial facilities. Designed according to international Grade A standards, the building features a hexahedron-shaped façade adorned by clear and glittering glass curtain walls that mimics the noble and eternal of diamonds. The project is scheduled for pre-lease in mid-2015.

Chengdu China Overseas International Center Phase One and Phase Two continued to generate stable rental income for the Group on the back of high occupancy rates. Blocks F and G on the West Lot and Block J on the Renhe No. 39 Lot of China Overseas International Center, with a GFA of approximately 90,000 sq m and 60,000 sq m, respectively, are also completed in December this year. Moreover, 4 Grade A office towers in Chengdu are currently under development in different phases which are scheduled for completion by 2017 to bring GFA of approximately 490,000 sq m.

In Beijing, substantially all units of China Overseas Property Building, China Overseas Plaza and China Overseas Property Plaza are under lease, while there has been a notable increase in the rental income of China Overseas Plaza.

## Management Discussion and Analysis (continued)

### PROPERTY INVESTMENT (CONTINUED)

#### MAJOR COMPLETED INVESTMENT PROPERTIES

	Name of property and location	Group's interest %	City	Year of lease term expiry	Area sq m
(a)	China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	100	Hong Kong	2047	19,485
(b)	China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	100	Beijing	2051	24,226
(c)	China Overseas Plaza, Jianguomenwai Avenue, Chaoyang District, Beijing	100	Beijing	2053	133,619
(d)	China Overseas Property Plaza, West Bin He Road, Yong Ding Men, Dongcheng District, Beijing	100	Beijing	2043	81,619
(e)	China Overseas International Center Phase One, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	129,464
(f)	China Overseas International Center Phase Two, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2048	65,555
(g)	Blocks F and G, West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2051	93,331
(h)	Block J, Renhe No. 39 Land of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2052	64,995
(i)	China Overseas Building, No. 36 East Longteng Road, Wuhou District, Chengdu	100	Chengdu	2045	34,825
(j)	China Overseas Building, No. 76 Yanji Road, Shibei District, Qingdao	100	Qingdao	2047	55,630
(k)	Unipark Shopping Mall, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2049	62,097
(l)	China Overseas Plaza, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2049	78,165
(m)	China Overseas Building, Lao Gu Cheng Village JB parcel, Shijingshan District, Beijing	100	Beijing	2053	68,136
(n)	China Overseas Building, The junction of Xinkaimen north Road and Furong South Road, Qujiang New District, Xi'an	100	Xi'an	2080	32,013
(o)	China Overseas Plaza, Ta Wan East Road, Huanggu District, Shenyang	100	Shenyang	2049	182,549

## Management Discussion and Analysis (continued)

### PROPERTY INVESTMENT (CONTINUED)

#### INVESTMENT PROPERTIES UNDER CONSTRUCTION

Currently, the total area of commercial property under development and yet to be developed by the Group amounts to about 3.80 million sq m. Over 50% of this area will be completed by the end of 2017. Projects cover cities such as Beijing, Chengdu, Nanjing, Foshan, Shenyang, Tianjin, it is expected that the rental income from commercial properties will exceed HK\$1.77 billion in 2017.

Zhuhai China Overseas Plaza Tower is located at the junction of Jiu Zhou Avenue West, the main artery of the city, and Bai Shi Road. Adjacent to Jin Zhou Avenue, which connects the eastern areas and western areas of Zhuhai and facing Macau in the front with Banzhang Mountain at the back, it is prestigiously positioned within the future commercial and trade centre of Gongbei's traditional business district. The project will offer GFA of approximately 220,000 sq m. Leasing has started and has been met with positive response. The project is scheduled for completion in 2015.

Other projects under development include Tianjin China Overseas International Building and Tianjin No. 8, The Milestone, Jinan International Community C-3, Zhuhai China Overseas Building, Foshan Unipark Shopping Mall and Wuhan China Overseas Building. Located at prime sites with comprehensive traffic access, all of the above developments are going to provide premium offices and commercial spaces.



China Overseas Building, Zhuhai

## 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 Building, Phoenix West Road, Gulou District, Nanjing	100	Nanjing	2015	2046	158,588
(b)	China Overseas Plaza Tower, Bai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2015	2050	215,237
(c)	No. 8, The Milestone, The Junction of Wei Jin South Road and Wu Jiayao street, Hexi District, Tianjin	100	Tianjin	2015	2053	58,996
(d)	Unipark Shopping Mall, No. 18 Guinanzhong Road, Nanhai District, Foshan	100	Foshan	2016	2052	101,891
(e)	China Overseas Building, South of Yuehu Avenue and West of Longdengdi Road, Hanyang District, Wuhan	100	Wuhan	2016	2053	55,387
(f)	Block H, West Lot of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2017	2051	96,238
(g)	Block I, Renhe No. 39 land of China Overseas International Center, Jiaozi Road, Gaoxin District, Chengdu	100	Chengdu	2017	2052	90,755
(h)	China Overseas International Center Phase Three, No. 199 Jincheng Road, Gaoxin District, Chengdu	100	Chengdu	2017	2048	170,601
(i)	China Overseas Building, Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	100	Zhuhai	2017	2048	343,084
(j)	International Community C-3, Jiu Qu Zhuang Road, Shizhong District, Jinan	100	Jinan	2018	2049	176,395
(k)	China Overseas International Building, Bin He West Road, Tanggu District, Tianjin	100	Tianjin	2018	2049	131,250

## Management Discussion and Analysis (continued)

### OTHER OPERATIONS



Master Development Plan for Liangxiang Town, Beijing

## 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. It has attained “Grade A Architectural Design Qualification” and “Grade A Urban Planning Qualification”, with over 1,000 professional designers and 10 national branch offices. Hua Yi has successfully completed over 1,500 architectural and engineering design projects within Mainland China, and over 150 projects were granted about 360 excellent design awards at national level and provincial level and the Shenzhen City Outstanding Design Award.

While expanding its business, Hua Yi continued strategic cooperation with professional consultants for the introduction of pre-project cost management, design with limit budget and smart home design concepts, providing owners with advanced value-added integration services and enhancing Hua Yi’s market competitiveness. Through effective implementation of “Industry-Academia-Research Development”, Hua Yi delivered six new practical model patents and one invention patent during the year. It also undertook master design project for Tencent Building in

Qianhai, taking the roles of project coordination and quality control with multi-national parties to develop a new cooperation model. During the year, Hua Yi executed the Master Development Plan for Liangxiang Town, China Overseas Guanggang Xincheng project, Concept Plan for Tianjin National Exhibition Centre project and Concept Plan for Laizhou project, etc. The Amethyst was named the Best Comprehensive Property project of The 9th Kinpan Award hosted by Times House.

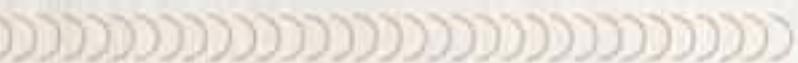
Hua Yi’s core competitiveness has been further enhanced and integrated service capabilities are fostered by improved and extended business chains and enhanced brand influence through the driving force effect of the “Urban Planning — Architectural — double class A platform”. In 2014, new contracts signed by Hua Yi reached HK\$700 million.



China Overseas Guanggang Xincheng Project

## Management Discussion and Analysis (continued)

### OTHER OPERATIONS (CONTINUED)



## Management Discussion and Analysis (continued)

### OTHER OPERATIONS (CONTINUED)

#### PROPERTY MANAGEMENT

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

During the year, China Overseas Property Management had approximately 199 property management projects in Mainland China with an aggregate GFA of approximately 45.50 million sq m, located in 29 cities including Beijing, Guangzhou, Shanghai, Shenzhen, Foshan and Hangzhou. The properties managed included residential properties, offices, commercial complexes, government properties and hi-tech industrial parks, with the provision of a full range of premium property management services, including community security management, automation of buildings and facilities, maintenance and management, garden landscape maintenance and organisation of community cultural activities, etc.

In addition to providing premium property management services to luxury residential property development projects developed by the Group, the property management companies in Hong Kong also manage commercial buildings, shopping malls, large housing estates, public housing estates, private properties, public facilities, customs checkpoints, Central Government representative offices in Hong Kong as well as military sites, with an aggregate GFA of approximately 4.5 million sq m.

To further enhance service efficiency and quality as well as to increase customer satisfaction, China Overseas Property Management launched the building of e-community. The “悦居中海” Cloud Platform officially went online in Mainland China during the year as an interactive platform that provided services to owners such as payment and enquiry of property management fee, report of complaints, request for maintenance, posting of notices, notification of community activities, guidelines for services, appointment for visits and enquiry about public assets of the community. The platform has helped to enrich the living experience of customers by enhancing the connection among owners within the communities and consolidating community resources.

On the back of its outstanding management services and excellent service standard, China Overseas Property Management of Hong Kong and Mainland China have won significant recognition in the industry evidenced by numerous awards, such as “Top 10 China Property Management Enterprise Brand Value 2014” in Mainland China, while China Overseas Property Management in Hong Kong was awarded the “Best Public Rental Housing

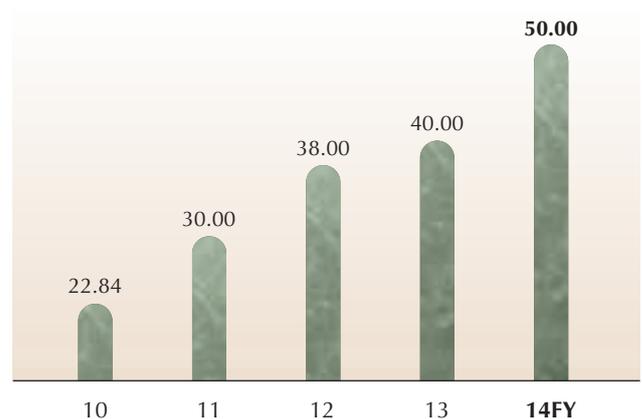
(Property Services): Small Estate — Bronze Award — Sheung Lok Estate” by the Hong Kong Housing Authority. Moreover, team building is highly valued by China Overseas Property Management, in particular to create a harmonic and safe workplace environment, for both its operations in and outside China. The property management company in Hong Kong was awarded the “Best Property Services Agent (Safety Management)” by the Hong Kong Housing Authority in 2014.

In addition, China Overseas Property Management in and outside Mainland China have been advocating the ideas of green life, environmental protection, hygiene and health, promoting the living concepts and campaigns on “green environment-friendliness”, “low-carbon lifestyle” and “green home” on an ongoing basis. In 2014, more than 300 community welfare activities, such as tree planting day, Earth Hour, no smoking day, garbage sorting, and no driving day, etc, were organised with more than 50,000 participants in aggregate, significantly enhancing public awareness of environmental protection. Meanwhile, China Overseas Property Management in and outside Mainland China actively perform their obligations in energy conservation and environmental protection. Apart from initiatives such as garbage sorting, recycling of batteries and donation of used clothes, the installation of LED lights as an energy conservation measure has also been vigorously promoted across the nation, with the aim of saving electricity consumption and reducing the greenhouse effect in contribution to the building of a sustainable living environment.

The Group's property management fee income amounted to HK\$2.01 billion (including HK\$230 million from Hong Kong and Macau and HK\$1.78 billion from Mainland China), representing an increase by 13.6% as compared to 2013. GFA under management exceeded 50.00 million sq m, an increase by 25.0% as compared to the previous year.

#### AREAS MANAGED BY THE GROUP

million sq m



## Management Discussion and Analysis (continued)

### GROUP FINANCE

#### FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

The Group has consistently adhered to the principle of prudent financial and treasury management. In terms of financial management, the experienced professional team in the finance department strives to apply appropriate accounting policies and prepare consolidated financial statements 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 few 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 24.0%, a compound growth rate of 29.3% per annum for the net profit attributable to shareholders over the past five years (2010–2014) and the annual net profit for the year 2014 growing by 21.7%, thus recording annual net profit growth of over 20% for 12 consecutive years. Through 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\$42.61 billion as at the end of 2009 to HK\$133.33 billion as at the end of 2014, underpinning significant enhancements of the Group's financial strength.

Due to scale expansion in Mainland China property market, the Group's net current assets as at 31 December 2014 amounted to HK\$148.11 billion, an increase of 13.7% compared with 2013, while the current ratio slightly decreased from 2.17 times for the previous year to 2.09 times for the year under review. Due to the increase in the Group's overall interest bearing debts and the change in its debt structure, coupled with the impact of the tapering of the US government from easing measures on liquidity, the funding costs for the year increased accordingly. As a result, the Group's interest cover decreased slightly from 11.6 times in the last year to 11.4 times for the year under review, still remained at a high level comparing with its peers.

The Group's interest cover is calculated as follows:

	2014 (HK\$ million)	2013 (HK\$ million)
Operating profit	42,414	28,348
Deducting:		
Total interest income	495	659
	41,919	27,689
Interest expense*	3,672	2,389
Interest cover (times)	11.4	11.6

\* Before capitalisation.

#### FINANCING AND TREASURY MANAGEMENT

The Group attaches great importance to liquidity management. In addition to maintaining a reasonable level of cash (generally not less than 10% of total assets), the Group is also committed to improving the debt structure on a continued basis. During the year, the Group has completed various significant financing activities at home and abroad. The Group has in aggregate raised US\$2 billion through issue of USD bonds in May and June; raised RMB3.85 billion offshore for the first time at terms better than onshore in the first half of the year under review; signed the largest single club loan since its establishment amounting to HK\$14 billion with 13 banks in Hong Kong in the 4th quarter; as well as arranged unilateral loans of HK\$4.5 billion. Taking into consideration of the higher finance costs in Mainland China and the long period of time needed to complete the Group's certain property development projects in Mainland China, the Group has gradually increased the proportion of issuing fixed-rate long-term debt over the past few years. During the past year, the proportion of fixed-rate bond increased from 45% to 51%. Given the fact that the external low-interest-rate environment has started to change, together with the RMB short-term depreciation pressure, the Group will monitor the development of the market closely and consider appropriate financing opportunities carefully.

## Management Discussion and Analysis (continued)

### GROUP FINANCE (CONTINUED)

As a property developer with sound financial management, the Group requires a strong financial position. Appropriate borrowings will be made but cash flow should mainly be derived from sales. The Group reported satisfactory sales during the year, generating cash of HK\$102.09 billion. Together with the net cash inflow from joint ventures amounting to HK\$5.7 billion and net financing of HK\$21.82 billion, the Group had more than sufficient cash resources to meet all expenses. In order to maintain scale expansion and profit growth, the Group must expedite the development and marketing of property projects 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's net gearing ratio slightly increased from 28.4% as at the end

of 2013 to 32.4% as at the end of 2014, 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 significantly increased by 53.7% to HK\$3.67 billion. This is mainly due to the issue of USD bonds of US\$1.5 billion as at the end of 2013 and the issue of USD bonds of US\$2 billion in aggregate in the first half of 2014, resulting in interest bearing debts increased significantly to HK\$94.53 billion. It is a reality that slightly higher interest rates applied to the longer tenor fixed rate for the USD bonds as comparing to the floating rate HKD bank loans. Despite an increase from 3.7% for the previous year to 4.3% for the year 2014, the Group's weighted average borrowing cost (annual interest expenses divided by weighted average borrowing amount) remained among the lowest in the industry.

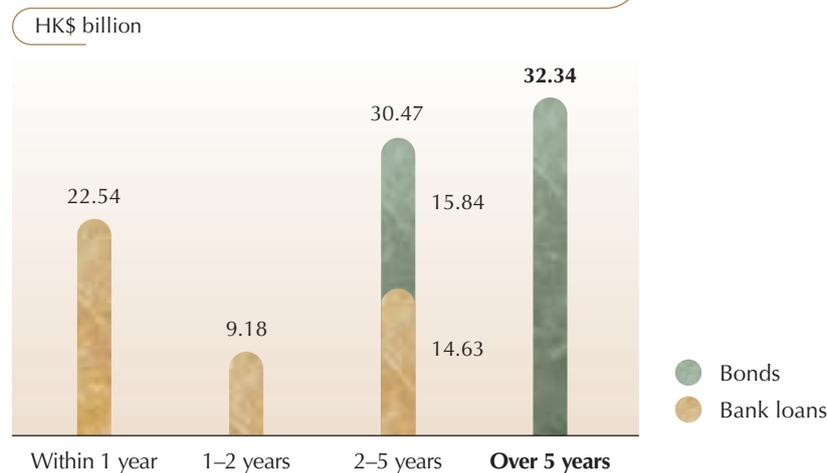
## Management Discussion and Analysis (continued)

### GROUP FINANCE (CONTINUED)

At 31 December 2014, the Group's bank loans and guaranteed notes payable amounted to HK\$46.35 billion (including RMB bank loans of approximately HK\$17 billion) and HK\$48.18 billion (US\$6.25 billion) respectively, with repayment schedules as follows:

Repayment schedule	2014 (HK\$ billion)	2013 (HK\$ billion)
<b>Bank loans</b>		
Within one year	22.54	3.30
More than one year, but not exceeding two years	9.18	23.27
More than two years, but not exceeding five years	14.63	13.44
<b>Total bank loans</b>	<b>46.35</b>	40.01
<b>Guaranteed notes payable</b>		
10-year (US\$1 billion due November 2020)	7.71	7.70
5-year (US\$750 million due February 2017)	5.80	5.79
10-year (US\$700 million due November 2022)	5.37	5.37
30-year (US\$300 million due November 2042)	2.30	2.30
5-year (US\$500 million due October 2018)	3.85	3.85
10-year (US\$500 million due October 2023)	3.85	3.84
30-year (US\$500 million due October 2043)	3.84	3.84
5-year (US\$550 million due May 2019)	4.24	–
5-year (US\$250 million due May 2019)	1.95	–
10-year (US\$450 million due May 2024)	3.46	–
10-year (US\$250 million due May 2024)	1.98	–
30-year (US\$500 million due June 2034)	3.83	–
<b>Total guaranteed notes payable</b>	<b>48.18</b>	32.69
<b>Total borrowings</b>	<b>94.53</b>	72.70
<b>Deducting:</b>		
Bank balances and cash	51.28	41.48
Net borrowings	43.25	31.22
Equity attributable to owners of the Company	133.33	109.97
Net gearing ratio (%)	32.4%	28.4%

### DEBT MATURITY PROFILE AT 31 DECEMBER 2014



## Management Discussion and Analysis (continued)

### GROUP FINANCE (CONTINUED)

Due to tightened liquidity in the Mainland and slower speed of sales proceeds collection, the Group's bank balances and cash level once experienced a comparatively large drop during the year. Before the year end, due to relaxed liquidity, cash collection in December amounted to HK\$15.5 billion in one single month, resulting in the Group's bank balances and cash temporarily increased to HK\$51.28 billion at 31 December 2014 (2013: HK\$41.48 billion).

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

	Bank loans and guaranteed notes payable	Bank balances and cash
Hong Kong dollars	30.5%	2.6%
RMB	18.0%	85.0%
US dollars	51.5%	12.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### FUND RAISING PLANS

As at the end of 2014, the Group's bank loans due within one year amounted to about HK\$22.54 billion (comprising onshore RMB loans equivalent to HK\$4.12 billion), accounting for 23.8% of its total borrowings. Before the year end, the Group has completed the refinancing arrangement for its borrowings which are due to mature in the first half of

2015. As at 31 December 2014, the Group's available funds amounted to HK\$62.98 billion, comprising bank balances and cash of HK\$51.28 billion and unutilised banking facilities of HK\$11.7 billion. With the payment of outstanding balances of land premium for land acquired before the end of 2014 amounting to HK\$12.19 billion and the continuous acquisition of land in the future, as well as the general practice of making more contractor payments before the Lunar new year, 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. The Group will continue to closely monitor changes in the financial market and watch for opportunities to enter into appropriate long-term financing in 2015 to further improve its debt structure.

The Company is one of the few Hong Kong-listed Mainland China property development companies which has been awarded investment grade ratings by Fitch, Moody's and Standard & Poor's, and the Group's investment grade ratings are in general the highest in the domestic property development sector. We are also the only company that has issued long-term bonds with a 30-year term, which reflects market recognition of the Group's leadership in China's property market and its solid financial position. The Group has maintained effective communication with rating agencies over the past few years to ensure that investors are informed about the Group's business approaches and financial and treasury management. In future, the Group will continue to identify opportunities for bond issues in order to further enhance its debt structure.

## Management Discussion and Analysis (continued)

### GROUP FINANCE (CONTINUED)

#### HEDGING ARRANGEMENTS AGAINST EXCHANGE RATE VOLATILITY

As at 31 December 2014, 43.9% of the Group's total borrowings were made at floating rates; 56.1% were made at fixed rates with a longer term; 82% were USD-denominated and HKD-denominated and 18% were RMB-denominated. The Group expects that in the second half of 2015, a moderate rise in interest rate abroad is possible; while there will be rounds of interest rate cuts in Mainland China. In general, there is limited interest rate risk. The Group's assets are mainly RMB-denominated assets, however, HKD-denominated bank borrowings and USD-denominated guaranteed notes in aggregate account for 82% of the Group's interest bearing debts, therefore, the Group shall attach importance to the foreign exchange risk arising from RMB depreciation. As the Group considers that RMB is exposed to the risk of depreciation in the short-term but would appreciate in the medium-term, the foreign exchange risk would not be too high. Monitoring closely the change in the trend of interest rates and the potential causes that trigger large changes in the exchange rates of HKD, RMB and USD, 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 2014, the Group provided, in line with usual business practice, buy-back guarantees for the repayment of bank mortgage loans amounting to HK\$17.4 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\$48.18 billion. The Group has never incurred any loss in the past as a result of granting such guarantees.

## Directors and Organisation



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

## Directors and Organisation (continued)

### BOARD OF DIRECTORS

#### Executive Directors

**Mr. HAO Jian Min*****Executive Director, Chairman and Chief Executive Officer***

Aged 50, 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 from 29 September 2005, Vice Chairman of the Company from 23 November 2006 and Chief Executive Officer of the Company from 1 June 2007. He has become Chairman of the Company and continues to serve as Chief Executive Officer of the Company with effect from 6 August 2013. Mr. Hao was a Member of the Remuneration Committee of the Company from 22 March 2007 to 11 August 2012 and was also the Chairman of such committee from 22 March 2007 to 1 February 2009. Besides acting as the Executive Director, Chairman and Chief Executive Officer of the Company, Mr. Hao is currently the Chairman and Non-Executive Director of \*\*China Overseas Grand Oceans Group Limited, 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 28 years' experience in construction and property business.

**Mr. XIAO Xiao*****Executive Director, Vice Chairman and Senior Vice President***

Aged 58, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the Group in 1990. He was appointed Director of certain subsidiaries of the Company since 1994. Mr. Xiao was appointed Executive Director of the Company from 1 February 2005, Vice Chairman of the Company from 22 March 2007 and the Senior Vice President of the Company since August 2009. Besides acting as the Executive Director, Vice Chairman and Senior Vice President of the Company, Mr. Xiao is currently a Director of China Overseas Holdings Limited and certain of its subsidiaries, and also Director of certain subsidiaries of the Group. He has about 33 years' management experience in construction and property business.

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



## Directors and Organisation (continued)

### **Mr. CHEN Yi**

#### ***Executive Director and President***

Aged 43, 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 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 of Directors as an Executive Director of the Company from 6 August 2013. Mr. Chen has been appointed the President of the Company with effect from 24 April 2014 and Director of China Overseas Holdings Limited on 23 July 2014. He has over 20 years' management experience in construction and property business.

### **Mr. LUO Liang**

#### ***Executive Director, Vice President and Chief Architect***

Aged 50, graduated from Huazhong University of Science and Technology, holder of Master degree, Professor Level Senior Architect. He joined the Group in 1999. Mr. Luo has been appointed as Executive Director of the Company from 22 March 2007 and the Vice President of the Company in August 2009. Besides acting as the Executive Director, Vice President and Chief Architect of the Company, Mr. Luo is currently a Director of certain subsidiaries of the Group. He was also a Director of China Overseas Holdings Limited and certain of its subsidiaries. Mr. Luo has about 25 years' architectural experience.



## Directors and Organisation (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 and Chief Financial Officer**

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

### **Mr. GUO Yong**

#### **Executive Director and Vice President**

Aged 51, graduated from Chongqing University of Engineering and Architecture (now known as Chongqing University), holder of MBA from Troy State University in USA, Senior Engineer. He joined the Group in 1993 and was appointed the Vice President of the Company in August 2012. Mr. Guo joined the Board of Directors as an Executive Director of the Company from 19 March 2013 and is also a Director of certain subsidiaries of the Group. Mr. Guo has about 31 years' management experience in construction business.

### **Mr. KAN Hongbo**

#### **Executive Director and Vice President**

Aged 51, graduated from Hefei University of Technology, holder of Master degree, Professor Level Senior Engineer. He joined the Group in 1995 and was appointed the Vice President of the Company in August 2012. Mr. Kan joined the Board of Directors as an Executive Director of the Company from 19 March 2013. He has about 25 years' management experience in engineering management.

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



## Directors and Organisation (continued)



### Non-Executive Director

**Mr. ZHENG Xuexuan**  
**Non-Executive Director**

Aged 48, holds a Bachelor Degree in Industrial and Civil Architecture from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) and is a Professor Level Senior Architect. Mr. Zheng joined China State Construction Engineering Corporation in 1989 and was appointed as a Director of China Overseas Holdings Limited from 17 October 2011. Mr. Zheng was appointed Non-Executive Director of the Company from 19 October 2011. Mr. Zheng is currently the Assistant General Manager of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668), and the General Manager of the Human Resources Department of CSCECL. These companies are direct or indirect parent company of the Company. He has more than 25 years' extensive experience in construction, corporate management and human resources management. Mr. Zheng provides guidance on the human resources management matters and bridges the communication with the parent company.

## Directors and Organisation (continued)

### Independent Non-Executive Directors

#### Mr. LAM Kwong Siu

SBS

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

Aged 80, joined the board as an Independent Non-Executive Director of the Company on 30 September 2003 and has served the Company for about 11 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 \*\*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 Organisation (continued)



**Dr. WONG Ying Ho, Kennedy**

*BBS, LLD, DCL, JP*

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

Aged 52, joined the Board of Directors as an Independent Non-Executive Director of the Company on 5 January 2004 and has served the Company for about 11 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, ##Bank of Beijing Company Limited, Bohai Industrial Investment Fund Management Company Limited, \*\*Credit China Holdings Limited, \*\*Shanghai Industrial Urban Development Group Limited, \*\*##Sinopec Oilfield Service Corporation and \*\*Times Property Holdings 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 Shanghai Stock Exchange

# companies listed on AIM Board, London Stock Exchange

## Directors and Organisation (continued)

### Dr. FAN HSU Lai Tai, Rita

*GBM, GBS, JP*

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

Aged 69, joined the Board of Directors as an Independent Non-Executive Director of the Company on 2 February 2009 and has served the Company for about 6 years. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit Committee and the Remuneration Committee of the Company. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

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

Outside the political arena, she is the Patron of the Hong Kong Kidney Foundation and the Hong Kong Transplant Sports Association. 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, the Audit 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 Organisation (continued)



**Mr. LI Man Bun, Brian David**

*MA (Cantab), MBA, FCA, JP*

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

Aged 40, joined the Board as an Independent Non-Executive Director of the Company on 19 March 2013 and was appointed Chairman and Member of the Audit Committee and Member of the Nomination Committee and the Remuneration Committee on the same day. Mr. Li is an Executive Director & Deputy Chief Executive of \*\*The Bank of East Asia, Limited (“BEA”), primarily responsible for BEA’s China and international businesses. Mr. Li joined BEA in 2002 and served as General Manager and Head of its Wealth Management Division from July 2004 to March 2009. Mr. Li was subsequently appointed Deputy Chief Executive in April 2009 and Executive Director in August 2014. Mr. Li is the 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 Chairman of the Audit Committee of \*\*Towngas China Company Limited, and an Independent Non-Executive Director of \*\*Hopewell Highway Infrastructure Limited.

Mr. Li currently holds a number of public and honorary positions, including being a Member of the Twelfth National Committee of the Chinese People’s Political Consultative Conference, a Member of the Advisory Committee of the Securities and Futures Commission of Hong Kong, Chairman of the Traffic Accident Victims Assistance Advisory Committee of the Government of the Hong Kong Special Administrative Region (“HKSARG”), a Member of the HKSARG Small and Medium Enterprises Committee, a Member of the HKSARG Harbourfront Commission, and a member of the HKSARG Aviation Development Advisory Committee.

He is also a Member of the Hong Kong-Europe Business Council, a Member of the Hong Kong-Taiwan Business Cooperation Committee, a Committee Member of the Hong Kong Chapter, the Institute of Chartered Accountants in England and Wales (the “ICAEW”), a Member of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, and a Council Member of The Hong Kong Management Association 2014/2015.

Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Full Member of the Treasury Markets Association. He is also a Fellow of the ICAEW. He holds a Master of Business Administration degree from Stanford University and a Master of Arts and Bachelor of Arts degree from the University of Cambridge.

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

## Directors and Organisation (continued)

### SENIOR MANAGEMENT

#### Mr. DONG Daping

##### *Vice President of China Overseas Land & Investment Ltd.*

Aged 55, 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 32 years' management experience in corporate human resources and administration.

#### Mr. LIN Xiaofeng

##### *Vice President of China Overseas Land & Investment Ltd.*

Aged 50, 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 27 years' management experience in corporate finance and accounting.

#### Mr. ZHANG Yi

##### *Vice President of China Overseas Land & Investment Ltd.*

Aged 48, 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 21 years' management experience in public relation and investment strategy business.

#### Mr. QU Yonghai

##### *Vice President of China Overseas Land & Investment Ltd.*

Aged 44, graduated from Harbin Institute of Technology, is an MBA from Tsinghua University, senior engineer. He joined the Group in 1993, and has about 22 years' experience in purchasing, investment, marketing, project development and business management.

#### Mr. QI Dapeng

##### *Vice President of China Overseas Land & Investment Ltd.*

Aged 44, 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 23 years' experience in finance and corporate management.

#### Ms. WANG Qi

##### *Vice President of China Overseas Land & Investment Ltd.*

Aged 49, graduated from Hefei University of Technology, senior engineer. She joined the Group in 1997. Ms. Wang has about 27 years' management experience in architectural design, engineering management and corporate management.

#### Mr. OUYANG Guoxin

##### *Vice President of China Overseas Land & Investment Ltd.*

Aged 47, 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 24 years' experience in construction and corporate management.



## Directors and Organisation (continued)

**Mrs. SHENG Ye*****Assistant President of China Overseas Land & Investment Ltd.***

Aged 53, 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 32 years' experience in architectural design and corporate management.

**Mrs. XU Xin*****Assistant President of China Overseas Land & Investment Ltd.***

Aged 46, 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 24 years' experience in construction, engineering and corporate management.

**Mr. CHEN Lie*****Assistant President of China Overseas Land & Investment Ltd.***

Aged 44, 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 21 years' experience in engineering management and corporate management.

**Mr. XU Wendong*****Assistant President of China Overseas Land & Investment Ltd.***

Aged 48, graduated from Harbin Institute of Civil Engineering and Architecture (now known as Harbin Institute of Technology), architect. He joined the Group in 2001. Mr. Xu has about 27 years' experience in architectural design and corporate management.

**Mr. ZHUANG Yong*****Assistant President of China Overseas Land & Investment Ltd.***

Aged 38, graduated from Chongqing University, holder of a master's degree, engineer. He joined the Group in 2000. Mr. Zhuang has about 15 years' experience in human resources management and corporate management.

**Mr. LIU Xianyong*****Assistant President of China Overseas Land & Investment Ltd.***

Aged 43, graduated from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology), senior economist. He joined the Group in 1995. Mr. Liu has about 20 years' experience in marketing and corporate management.

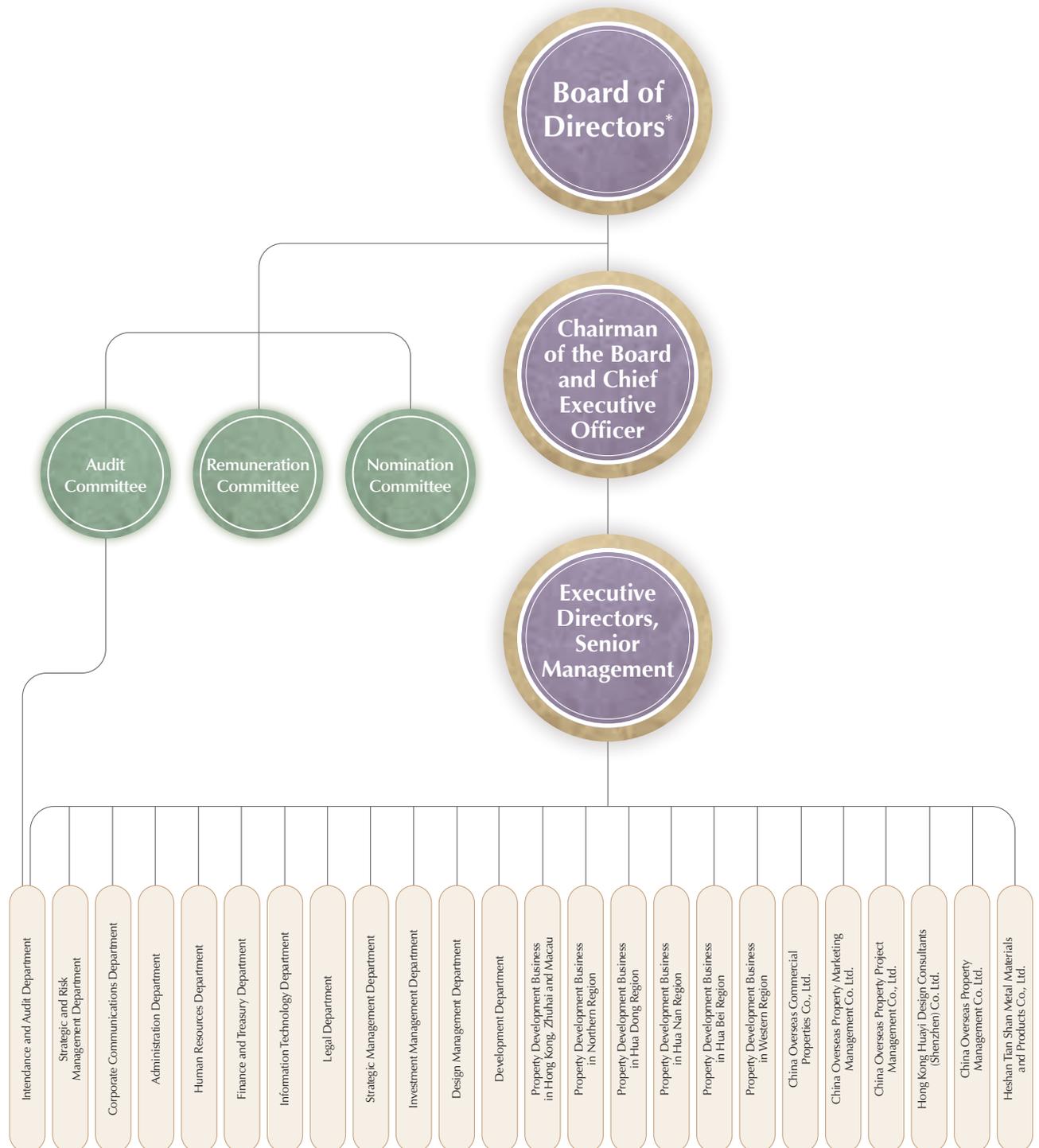
**Mr. GUO Guanghui*****Deputy Chief Financial Officer of China Overseas Land & Investment Ltd.***

Aged 42, graduated from Nanjing University of Science & Technology, holder of a master's degree, senior accountant. He joined the Group in 2006. Mr. Guo has about 20 years' management experience in corporate finance and accounting.



## Directors and Organisation (continued)

### ORGANISATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



\* As at 24 March 2015, the Board of Directors consists of seven executive directors, one non-executive director and four independent non-executive directors.



China Overseas Majin Hope School, Zhejiang



Corporate Social Responsibility

# Corporate Social Responsibility

The Group believes that, the mutually development and win-win cooperation with our customers, shareholders, staff, partners, communities and cities, and the effort in fulfilling corporate social responsibility are the core values of sustainable development strategy for a listed company. In its endeavour to deliver high quality products, the Group also emphasizes on environmental protection and energy conservation that enables sustainability in the natural environment and strives to build a greener society by advocating low-carbon construction. Meanwhile, the Group continues to promote and develop the well-established charity brand of “海無涯 • 愛無疆” (“The sea has no limit and love has no boundary”). The Group adheres to the “people-oriented” philosophy and pays great attention on staff training and to boost promotion of self-worth of staff, thereby assuring for the availability of high-calibre staff to support business development of the Group.

The Group has published the second official corporate social responsibility report, aimed at showing the Group’s management status, specific measures and results objectively in the economic, social and environmental aspects of its operations to stakeholders including customers, staff, shareholders, partners, suppliers, employees and urban communities. This reflects the Group’s unrelenting pursuit for quality growth and quality operation, as well as the effort to achieve a balanced development that generates social and economic benefits. The Group has continued to be a constituent member of the “Hang Seng Corporate Sustainability Index” and the “Hang Seng (Mainland and HK) Corporate Sustainability Index” since their launch in 2010, underlining its outstanding performance in the aspects of environmental protection, social responsibilities and corporate governance.

## CUSTOMER SERVICE

The customer is the foundation of the Group to achieve sustainable development. In line with the philosophy of “customer service by all staff throughout the entire process”, the Group seeks to enhance customer satisfaction continuously by adhering to the principle of being customer centric. The Group applies comprehensive customer services focused approach throughout every stage from project positioning, planning, construction, sales, occupation of property to after sales property management. This enables the Group to be involved in the operation of the property development business from a customer perspective. The continuous understanding of the needs of the customers enables the Group to improve the products and services constantly.

In line with the Group’s dedication to the development of premium properties, inter-departmental property delivery teams have been set up to conduct full-scale inspection of properties prior to their delivery and to carry out any improvement work required. An iPad-clicking input system has been adopted to centralize management of issues noted before occupation of the property and to ensure all issues are recorded, rectified, reviewed and closed. In addition, the Group has actively allowed property owners to take on a supervisory role by inviting owners to the site prior to occupation on the “Site Open Day” to identify any potential problems. A service and maintenance hotline number is set up at the property site during the period of the issuance of the occupation documents and all enquiries are answered by dedicated personnel. Open communication with owners



“Property Management Exposure Camp for Children of Property Owners” attracted children from various communities to participate

## Corporate Social Responsibility (continued)

has been established to receive their feedback and comments and to ensure the quality of the Group's properties reach the highest standards. Furthermore, the Group conducts seminars and visits regularly for customers in order to listen to their views for continuous improvements in service quality.

With the primary aim of serving customers, the Group has established close and effective communication ways with customers and resolved issues identified by owners in a timely manner. To broaden and enrich the means of communication as well as to develop interaction with owners, the Group has endeavored to try constantly and to be innovative, such as using new media, Weibo and WeChat to optimise and enhance customer experience. WeChat platform is not only used as a promotion channel for major events of the Group but also used for delivering helpful information to owners' daily lives to satisfy their daily needs. Meanwhile, the Group has also developed functions such as online maintenance requests and event enrolments through WeChat, directing owners' attention to WeChat information posted by the Group, so that WeChat becomes a ready access to the Group's information for owners. WeChat platform has been well received by owners since its launch.

China Overseas Property Club ("COPC"), established to enhance and promote the liaison of the Group, customers and the community, has branches in more than 30 cities with more than 300,000 members and nearly 500 business alliances. During the year, a number of major branded events were organised by COPC branches in association with China Overseas Properties to address different needs of owners, such as the "Children's Dreams, Children's Art" drawing contest, "Lohas Sports Season" tournaments, "China Overseas Experience Camp for Children of Property Owners" and "Happiness Talent Show". Tens of thousands of property owners from more than 200 China Overseas communities have enrolled in these activities. The Group has also enhanced interaction with customers by means of COPC Newsletter and the WeChat platform.

## STAFF DEVELOPMENT AND PERSONAL GROWTH

As at the end of 2014, the Group had a total of 25,705 employees. The Group has always regarded the talent strategy as its most important strategy and human resources as its most precious resources. Taking into account its current business environment and development stage, the Group persists in the principle of "quality building" in terms of management strategy and seeks to achieve a balanced development of the Group and the staff, with a view to enhancing the overall quality of its human resource management.



The Group develops various training programmes, improving the expertise and management skills of employees

## Corporate Social Responsibility (continued)

The Group has developed a sound staff training program to provide comprehensive resources and support that helps employees to understand the Company's strategies, incorporate 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 respect of the key tasks of the year, the Group conducted a total of 2,987 training programs with a total attendance of 20,464 persons. Meanwhile, all ranks within the organisation and business lines have organised a series of specialised training programs, such as the “Eaglet Programme” held in July 2014 for the purpose of training and cultivating professional qualities for new employees of Commercial Properties Company, the “Sea's Recruits Orientation Camp” held in December 2014 for the purpose of corporate culture immersion for new recruits and the “Training Camp for Potential Staff” held in August 2014 for employees who had been in service for 2 to 3 years, the regular programmes including the “Professional Workshops for New Managers” aimed at enhancing the management ability of newly promoted managers at intermediary levels. Such programmes have been widely applauded by employees with active participation. Moreover, in order to procure employees to update their knowledge and enhance their job performance ability, the Group encouraged and subsidised on-the-job degree education for employees. 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.

To further enhance the continuity and sustainability of its business, 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 its recruitment exercise, the Group was presented with numerous honours and awards including the “Top 100 China Best Employer

Award 2014” (hosted by [www.zhaopin.com](http://www.zhaopin.com)) and the 12th “ChinaHR Best Employers — Top 10 in the real estate industry” (hosted by ChinaHR.com). In addition, the Group organised “Career Development Workshop” at 13 famous universities in China, including Tsinghua University and Xiamen University, during the period from April to July. Through lectures given by internal and external speakers, the Workshop simulated corporate operations and practiced positions at various business lines of different locations which helped to foster professionalism and enhance the expertise of the high calibre university students. The Workshop won wide acclaim from the teachers and students and at the same time, it reserved high-calibre human resources for the Group's future development.

The Group emphasises on creating simple and harmonious relationships and a friendly atmosphere at the office. It also helps employees to strike a balance between work and leisure by organising activities such as badminton, basketball, football, swimming, video and photography, some of them even welcome the employees to bring their families to participate, which helps to boost sense of satisfaction and belonging of the staff.

## ENVIRONMENTAL PROTECTION

China Overseas Property has advocated the use of low-cost, high effective energy conservation technologies. Passive energy saving design (i.e., realising environmentally protection and energy conservation benefits through thermal insulation and heat retention in construction without additional energy) has been used as the dominant ideology throughout the entire project development process. The Group strives to reduce energy and resources consumption in its project development life cycle and utilise its project development experience to arise public awareness of green construction. Apart from obtaining certificates relating to green construction, the Group devoted greater attention to the result of energy conservation and environmental quality during project development and community management with the aim to achieve sustainability in green construction and maximise value for the Group.



## Corporate Social Responsibility (continued)

With several decades of experience in industry-leading project design and construction, China Overseas Property has continued to fulfill its commitment to protect the natural environment in project planning and design. The Group adopted appropriate measures based on geographical conditions and refined design to integrate with project positioning through introduction of land optimisation, energy and water conservation, material economisation, indoor environmental technology, green construction and operational management. By conducting research on current conditions, formulating implementation method and technical guidance and establishing demonstration projects, the Group has promoted the application of green construction technology widely in its new residential projects.

During the year, a number of the Group's projects have attained LEED Certification and China's Star Rating Certification of Green Building. The No. 8 Mansion in Suzhou received the "Two Star Green Building Design Label Certificate" issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China; land parcel B1-3 of the International Community, Nanjing received the "One Star Green Building Design Label Certificate".

Since its establishment, China Overseas Property has introduced the concept of environmental protection and resources conservation in its day-to-day routine work and office operations. For many years, all staffs from all levels of the Group have pushed forward low-carbon and green office initiatives such as "dual purpose paper" and "take the stairs within three floors". In recent years, with the increasing popularity of the internet, the paperless initiatives have been extended to all phases of business. The Information Technology Department optimises paperless office management systems persistently, such as Office Automation platform and an electronic approval platform, to reduce a great deal of unnecessary paper wastage as well as to promote the recycling and reuse of paper.

China Overseas Property has always sought to be an advocator and facilitator for the green community and harmonious homes. While focusing on energy conservation and environmental protection and environmental beautification, the Group promotes environmental protection ideas at its properties continuously and organises owners to participate in environmental protection and energy conservation activities.

During the year, the Group launched a series of environmental protection campaigns in various regions, such as "Defending the Green Wish — International Community Tree Planting Festival March 2014", "China Overseas Heart Woods — Tree Planting", "Earth One Hour — China Overseas Green Walk Charity", "Earth Day Welfare Initiative", "Low-carbon Excursion — Bicycle Challenge", "Environmental Protection in the Steps — DIY Environmental Shopping Bags" and "Green Palm — Energy Conservation and Less Consumption".

## COMMUNITY WELFARE

To serve the community has been the corporate mission of the Group. During the year, the Group continued to conduct various charity activities and increase its efforts in corporate social responsibility. In line with its strategy for corporate social responsibility, the Group continued to promote the brand of "海無涯 • 愛無疆" ("The sea has no limit and love has no boundary") and focus on the three main areas of community establishment, teenage education and charitable donations.



## Corporate Social Responsibility (continued)

The Group places a lot of emphasis on child and teenage education and whole person development, as the Group understands 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 2014, China Overseas Yuanling Hope School in Hunan Province was completed and commenced for use. With a total site area of 23,275 sq m and total gross floor area of 5,650 sq m, the school can accommodate 2,000 students in 36 classes. The commencement of this school has effectively alleviated the education issue for children in 22 villages nearby, who had not been able to go to school previously owing to inaccessibility and poor economic conditions and has created a sound learning environment for village children.

As of now, the Group has built nine Hope Schools in Hanzhong of Shaanxi, Nanchuan and Yunyang of Chongqing, Changchun of Jilin, Dujiangyan of Sichuan, Shenyang of Liaoning, Jinan of Shandong, Quzhou of Zhejiang and Huaihua of Hunan, respectively; while another Hope school is under construction in Qixia of Shandong. 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, typically offering the best hardware in its vicinity.

The Group has enhanced long-term cooperation with non-profit making organisations to contribute to the society through fundraising activities, community promotion and education campaigns. Each year, the Group organises a large team to join "Walks for Millions" supported by the Community Chest of Hong Kong, the largest charity event in Hong Kong. The Group's regular charitable activities include care visits, summer camps, art contests, Walks for Millions organised by the Community Chest of Hong Kong, etc. Meanwhile, employees are encouraged to actively participate in charity activities in local community so as to practise corporate social responsibilities.



China Overseas Yuanling Hope School, Hunan

## Corporate Social Responsibility (continued)

### January

Each year, the Group organised a large team to join “Walks for Millions (Hong Kong Island)”.



### February

China Overseas Yuanling Hope School was completed and commenced for use.



### April

“Caring for Our Homes and Helping Children to Realise Dreams” campaign was held.

### March

Chongqing International Community Tree Planting Festival

### May

“2014 Aid for the Disabled” organised by the China Overseas special education school in Dujiangyan was held, calling for public concern for the education and growth of children with special needs.



### June

China Overseas Three Gorges Hope School celebrated the joyous occasion of “June 1st” Children’s Day by organising a grand gathering for teachers and students.

### October

Foundation ceremony of China Overseas Tingkou Hope School was held.

### September

A visit to China Overseas Shaling Hope School was organised to convey blessings for the new school term to students.

### July

“Children’s Dreams, Children’s Art”, a Mainland and Hong Kong Art Exchange Programme co-organised by China Overseas and Treats was held during the period from March to June, comprising 56 art workshops.

# Accolades & Awards 2014



## Accolades & Awards 2014 (continued)

Award	Awardee	Organiser
<b>Overall Performance</b>		
Top 100 Hong Kong Listed Companies Selection — Top 100 Hong Kong Stocks	China Overseas Land and Investment Ltd.	Finet Group, QQ.com
Best in Sector — Real Estate (Greater China)	China Overseas Land and Investment Ltd.	<i>IR Magazine</i>
The Asset Corporate Awards — Titanium Award The Asset Triple A — The Greater China Award for Corporates (Environment — Real Estate)	China Overseas Land and Investment Ltd.	<i>The Asset</i>
The Listed Enterprise Excellence Awards	China Overseas Land and Investment Ltd.	<i>Capital Weekly</i>
Hong Kong Outstanding Enterprise Award (Blue Chip Sector)	China Overseas Land and Investment Ltd.	<i>Economic Digest</i>
Rankings of Chinese Enterprises in Hong Kong Stock Market — Best Market Value Award	China Overseas Land and Investment Ltd.	<i>Yazhou Zhoukan</i>
China Outstanding Blue Chip Real Estate Enterprises — Outstanding Real Estate Developer Award	China Overseas Land and Investment Ltd.	<i>Economic Digest</i>
China Valuable Real Estate Awards — Valuable Real Estate Enterprise of the Year	China Overseas Land and Investment Ltd.	<i>National Business Daily</i>
China Blue Chip Real Estate Developer	China Overseas Land and Investment Ltd. (Chinese Overseas Property)	<i>The Economic Observer</i>
Best Performers 50 China	China Overseas Land and Investment Ltd.	<i>Global Entrepreneur</i>
No. 1 in Top 100 China Real Estate Enterprise Brand Value	China Overseas Land and Investment Ltd.	<i>China Real Estate Business</i>
Top 100 China's Real Estate Developers — No. 3 in Overall Performance <ul style="list-style-type: none"> <li>• No. 1 in Top 10 China's Real Estate Developer (H Shares)</li> <li>• No. 1 in Top 5 China's Real Estate Developer (Risk Management)</li> </ul>	China Overseas Land and Investment Ltd.	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

## Accolades & Awards 2014 (continued)

Award	Awardee	Organiser
Top 10 Mainland China Real Estate Companies Listed in Hong Kong <ul style="list-style-type: none"> <li>• No. 2 in Top 10 Overall Ranking</li> <li>• No. 1 in Top 10 Wealth Creating Capability</li> <li>• No. 1 in Top 10 Financial Stability</li> <li>• No. 2 in Top 10 Investment Value</li> </ul>	China Overseas Land and Investment Ltd.	Enterprise Research Institute of Development Research Center of State Council of P.R.C, Institute of Real Estate Studies of Tsinghua University, China Index Academy
Asia's Best Companies <ul style="list-style-type: none"> <li>• No. 3 in Best Corporate Governance</li> <li>• No. 5 in Best Managed Company</li> <li>• No. 7 in Best Investor Relations</li> </ul>	China Overseas Land and Investment Ltd.	<i>Finance Asia</i>
China Top 100 Real Estate Developers <ul style="list-style-type: none"> <li>• No. 4 in Top 10 Overall Performance</li> <li>• No. 1 in Top 10 Profitability</li> <li>• No. 1 in Top 10 Stability</li> <li>• Top 10 Operational Scale</li> <li>• Top 10 Financial Ability</li> </ul>	China Overseas Land and Investment Ltd.	Enterprise Research Institute of Development Research Center of State Council of P.R.C, Institute of Real Estate Studies of Tsinghua University, China Index Academy
No. 4 in the 2013 Ranking of China's 100 Best Real Estate Enterprises <ul style="list-style-type: none"> <li>• No. 1 in Top 30 Listed China's Real Estate Enterprises</li> <li>• No. 3 in Top 30 Best China's Real Estate Management and Team</li> </ul>	China Overseas Property Group Co., Ltd.	<a href="http://www.guandian.cn">www.guandian.cn</a>
<b>Corporate Social Responsibility</b>		
HKQAA CSR Index Plus	China Overseas Land and Investment Ltd.	Hong Kong Quality Assurance Agency
10th Corporate Governance Asia Annual Recognition Awards — Asia's Outstanding Company on Corporate Governance	China Overseas Land and Investment Ltd.	<i>Corporate Governance Asia</i>
China Valuable Real Estate Awards — Corporate Citizenship of the Year	China Overseas Land and Investment Ltd.	<i>National Business Daily</i>
The 12th ChinaHR Best Employers Award — Top 10 in Real Estate Industry	China Overseas Property Group Co., Ltd.	ChinaHR
5 Years Plus Caring Company Logo	China Overseas Land and Investment Ltd.	The Hong Kong Council of Social Service

## Accolades & Awards 2014 (continued)

Award	Awardee	Organiser
<b>Branding</b>		
Leading Brands of China Real Estate Companies — No. 1 in Brand Value	China Overseas Land and Investment Ltd. (China Overseas Property)	Enterprise Research Institute of Development Research Center of State Council of P.R.C, Institute of Real Estate Studies of Tsinghua University, China Index Academy
No. 1 in China Real Estate Brand Value Top 50	China Overseas Land and Investment Ltd.	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal
China Real Estate Brand Value — No. 3 in Top 10 Brand Value of Property Management Enterprise	China Overseas Property Management Ltd.	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal
<b>Others</b>		
Galaxy Awards 2014 — The 25th International Competition <ul style="list-style-type: none"> <li>• Honours Award — Overall Presentation (Residential Properties)</li> <li>• Honours Award — Design — Traditional: Mainland China</li> </ul>	China Overseas Land and Investment Ltd.	MerComm, Inc
2014 International ARC Awards <ul style="list-style-type: none"> <li>• Silver Winner — Printing &amp; Production: Real Estate Development/ Service: Residential Properties</li> <li>• Honours Award — Printing &amp; Production: Property Development: Residential</li> </ul>	China Overseas Land and Investment Ltd.	MerComm, Inc
2014 Vision Awards Annual Report Competition <ul style="list-style-type: none"> <li>• Silver Award</li> <li>• Most Improved Honours</li> <li>• Top 80 Annual Reports in the Asia Pacific Region</li> </ul>	China Overseas Land and Investment Ltd.	League of American Communications Professionals (LACP)
Best Property Development Award — Best Low-Density Luxury Development	Residence Nine, Shenzhen	iProperty Group

## Investor Relations

In 2014, the Group communicates and connects closely with the capital market through its Corporate Communications Department. By participating in various kinds of capital market activities and investor meetings, we ensure timely response to the requests of shareholders and investors, and collect feedback from the capital market for the management. The Group maintains its multi-dimensional platform for information distribution, highly facilitating effective communication with the capital market.

Since January 2014, the Group has been publishing announcements about monthly property sales results and new land acquisitions on the Hong Kong Stock Exchange, upholding its leading position on transparent information disclosure. During the year, the Group sought opportunities to interact with investors through proactive participation in 20 major investor meetings, as well as organising company visits for approximately 300 guests, around 500 telephone conferences and 217 site visits to our property projects with more than 1,000 participating investors. Our analyst meetings conducted for interim and annual results have recorded a total of 400 participants and over 1,000 views by investors worldwide for live webcast and replay.

The Group always persists in fostering productive exchange and effective communication with shareholders and the investment community. We are responsive to enquiries and open to suggestions. The Group strives to boost the transparency of information, strengthen corporate governance standards and enhance our ability to deliver value to shareholders. The Group's investor relations efforts are also widely recognized by the capital market.



## Investor Relations (continued)

### MAJOR INVESTOR RELATIONS ACTIVITIES IN 2014

Month	Activities
January	Barclays China Property Day BNP Paribas Asia Pacific Financials & Property Conference UBS Greater China Conference 2014
March–April	Announcement of 2013 annual results <ul style="list-style-type: none"> <li>• Press conference</li> <li>• Analyst briefing</li> </ul> Post-result roadshow HSBC Greater China Property Conference
May	Macquarie Greater China Conference 19th CLSA China Forum Barclays Asia Financial & Property Conference 2014 5th Annual DB Access Asia Conference 2014
June	J.P. Morgan Global China Summit BAML Greater China Property & Conglomerates Corporate Day CITI Asia Pacific Property Conference
July–August	Announcement of 2014 interim results <ul style="list-style-type: none"> <li>• Press conference</li> <li>• Analyst briefing</li> </ul> Post-result roadshow
September	CLSA Investors' Forum 2014
October	Jefferies 4th Annual Asia Corporate Access Summit Hong Kong CICC Investment Forum (Beijing) 2014
November	CITI China Investor Conference 2014 BAML 2014 China Conference Goldman Sachs Greater China CEO Summit 2014 Daiwa Investment Conference Hong Kong 2014 Industrial Securities (Hong Kong) Overseas Conference
December	BAML Greater China Property & Conglomerates Corporate Day Nomura China Property Corporate Day

# Corporate Governance Report

## (A) GENERAL

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

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

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

## (B) CORPORATE GOVERNANCE PRACTICE

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

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.*

## Corporate Governance Report (continued)

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

The Articles of Association of the Company (“**Articles**”) and the new Articles of Association of the Company (as adopted by the Company in the Annual General Meeting held on 26 May 2014) (“**New Articles**”) provides that:

### *Articles*

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

### *New Articles*

- (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting; and
- (b) at each annual general meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years at an annual general meeting of the Company.

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

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

All the directors of the Company have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. The Company has not convened any general meeting, other than annual general meeting, during the year under review and all the directors (including all independent non-executive directors) except Mr. Zheng Xuexuan were present in the annual general meeting for exchanging views with the shareholders.

Mr. Zheng Xuexuan, due to commitment in the mainland China, was unable to attend the annual general meeting of the Company held on 26 May 2014. Thus, the Company has not complied with the whole Code Provision A.6.7.

## Corporate Governance Report (continued)

### (C) THE BOARD OF DIRECTORS

#### C(a) Board Composition

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

During the year, the Company has 12 directors which includes seven Executive Directors, one Non-Executive Director and four Independent Non-Executive Directors. The number of Independent Non-Executive Directors representing one third of the Board, and one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has formal letters of appointment for all directors setting out the key terms and conditions of their appointment. Accordingly, the Company has complied with the requirements of Rules 3.10(1), 3.10(2), 3.10A of the Listing Rules and Code Provision D.1.4.

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

The Directors’ biographical information (including their gender, age, educational background, professional experience, knowledge, culture and length of service) and the relationships among the Directors, if any, are set out on pages 71 to 78 of the annual report.

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

#### C(b) Confirmation of Independence

The Company has received from Mr. Lam Kwong Siu, Dr. 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.

## Corporate Governance Report (continued)

### 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 2014.

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

## Corporate Governance Report (continued)

### C(d) Responsibilities and Division of Work

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

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

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

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

## Corporate Governance Report (continued)

### 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 a 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 Organisational mechanisms to conduct and evaluate relative analysis.

### (E) BOARD MEETINGS AND COMMITTEE MEETINGS

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

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

## Corporate Governance Report (continued)

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

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

### (F) THE COMMITTEES OF THE BOARD

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

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

## Corporate Governance Report (continued)

### F(b) Remuneration Committee

The Remuneration Committee is composed as follows:

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.

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

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

## Corporate Governance Report (continued)

### (G) ATTENDANCE AT BOARD OR COMMITTEE MEETINGS DURING THE YEAR 2014

Name	Number of meetings attended/ Number of meetings held during the term of office				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
<b><u>Executive Directors</u></b>					
Mr. Hao Jian Min	6/6	N/A	N/A	N/A	1/1
Mr. Xiao Xiao	5/6	N/A	N/A	N/A	1/1
Mr. Chen Yi	6/6	N/A	N/A	N/A	1/1
Mr. Luo Liang	6/6	N/A	N/A	N/A	1/1
Mr. Nip Yun Wing	6/6	N/A	N/A	N/A	1/1
Mr. Guo Yong	5/6	N/A	N/A	N/A	1/1
Mr. Kan Hongbo	6/6	N/A	N/A	N/A	1/1
<b><u>Non-executive Director</u></b>					
Mr. Zheng Xuexuan	5/6	N/A	N/A	N/A	0/1
<b><u>Independent Non-executive Directors</u></b>					
Mr. Lam Kwong Siu	6/6	4/4	2/2	2/2	1/1
Dr. Wong Ying Ho, Kennedy	6/6	4/4	2/2	2/2	1/1
Dr. Fan Hsu Lai Tai, Rita	5/6	4/4	2/2	2/2	1/1
Mr. Li Man Bun, Brian David	5/6	4/4	2/2	2/2	1/1

### (H) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on governing securities transactions by directors (the “**Securities Code**”) on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The directors have confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2014.

### (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\$8,750,000 was paid to the external auditor by the Group for audit service and HK\$1,360,000 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\$330,000 to Deloitte Touche Tohmatsu, for report relating to assessment and advisory service of intendance and audit department. The Board will table a resolution at the 2015 AGM, proposing to re-appoint PricewaterhouseCoopers as the external auditor for the ensuing year.

## Corporate Governance Report (continued)

### (J) SENIOR MANAGEMENT

The list of senior management and their respective interests in shares of the Company as at 31 December 2014 are set out below:

Name of senior management	Number of shares held	Percentage of issued share capital <sup>#</sup>
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	–	0.000%
Mr. Qi Dapeng	–	0.000%
Ms. Wang Qi	–	0.000%
Mr. Ouyang Guoxin	–	0.000%
Mrs. Sheng Ye	–	0.000%
Mrs. Xu Xin	–	0.000%
Mr. Chen Lie	–	0.000%
Mr. Xu Wendong	–	0.000%
Total	1,307,273	0.016%

<sup>#</sup> The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2014 (8,173,975,506 ordinary shares).

Biographical details of above senior management are set out on pages 79 to 80 of the report.

### (K) RELATIONS WITH SHAREHOLDERS

#### K(a) Substantial Shareholders

Particulars of the substantial shareholders of the Company as at 31 December 2014 are set out in the “Substantial Shareholders’ Interests in Securities” section of “Report of Directors” of this report.

## Corporate Governance Report (continued)

### K(b) Annual General Meeting and Communication with Shareholders

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

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

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

### K(c) Shareholders’ Rights

#### (a) Procedures for Shareholders to Convene a General Meeting

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

- (i) one or more shareholder(s) in aggregate holding not less than 5% of the total voting rights of the Company carrying the right to vote at general meetings sending request(s) to the Company in hard copy form or in electronic form;
- (ii) such request(s):
  - (1) must state the general nature of the business to be dealt with at the meeting;
  - (2) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

## Corporate Governance Report (continued)

- (3) may consist of several documents in like form; and
  - (4) must be authenticated by the person or persons making it.
- (b) Procedures for Shareholders to Direct their Enquiry to the Board

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

- (c) Procedures for Putting Forward Proposals at Shareholders’ Meetings

- (i) The procedures for proposing candidate(s) for election as Director(s) at a shareholders’ meeting are set out in the Corporate Governance section of the Company’s website.
- (ii) Shareholder(s) can request the Company to circulate a statement (or notice of a resolution that may properly be moved and is intended to be moved at the annual general meeting) to members of the company entitled to receive notice of a general meeting (or annual general meeting, where applicable), in pursuance of section 580 (or section 615, in the case of annual general meeting) of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), subject to below:
  - (1) The statement should be of not more than 1000 words and with respect to:
    - (a) a matter mentioned in a proposed resolution to be dealt with at that meeting; or
    - (b) other business to be dealt with at that meeting.
  - (2) Each shareholder may only request the Company to circulate:
    - (a) One such statement with respect to the resolution mentioned in (1)(a) above; and
    - (b) One such statement with respect to the other business mentioned in (1)(b) above.
  - (3) Such request(s) have to be sent by the shareholders who have a relevant right to vote and fulfils the below conditions:
    - (a) Shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote; or
    - (b) At least 50 shareholders.

## Corporate Governance Report (continued)

Relevant right to vote means:

- (a) In relation to a statement with respect to a matter mentioned in a proposed resolution, a right to vote on that resolution at the meeting to which the requests relate;
  - (b) In relation to any other statement, a right to vote at the meeting to which the requests relate; and
  - (c) In relation to notice of a resolution, a right to vote on the resolution at the annual general meeting to which the requests relate.
- (4) Such request(s):
- (a) May be sent to the company in hard copy form or in electronic form;
  - (b) Must identify the statement (or notice, in the case of annual general meeting) to be circulated;
  - (c) Must be authenticated by the person or persons making it; and
  - (d) Must be received by the Company:
    - (aa) at least 7 days before the general meeting to which it relates;
    - (bb) not later than 6 weeks before the annual general meeting to which the requests relate; or if later, not later than the time at which notice is given of that meeting.

### **K(d) Memorandum and Articles of Association**

On 26 May 2014, the Company has passed a special resolution in its annual general meeting to adopt the new articles of association of the Company in substitution for and to the exclusion of the existing memorandum and articles of association of the Company and to abandon the object clause contained in the existing memorandum of association of the Company. A copy of the latest version is available on the website of the Stock Exchange and the Company's website.

### **(L) COMPANY SECRETARY**

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

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

### **(M) FINANCIAL CALENDAR**

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

# Report of Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2014.

## 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 49, 20 and 21 respectively to the financial statements.

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 133 and 134 respectively.

An interim dividend of HK20 cents per share was paid on 11 September 2014. The board of directors recommends the payment of a final dividend of HK35 cents per share (2013: HK29 cents per share) to shareholders whose names appear on the Register of Members of the Company on 22 June 2015. Together with the interim dividend of HK20 cents per share (2013: HK18 cents per share), dividends for the year will amount to a total of HK55 cents per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 8 July 2015.

## 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 138 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 227 and 228.

## MAJOR PROPERTIES

Details of the major property development and property investment of the Group at 31 December 2014 are set out on pages 51, 57 and 59.

## TANGIBLE FIXED ASSETS

The Group’s investment properties were revalued at the reporting date. The revaluation resulted in a net increase in fair value of HK\$5,168,984,000 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.

## Report of Directors (continued)

### 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\$3,326,842,000.

### DIRECTORS

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

#### *Executive Directors*

Mr. Hao Jian Min (Chairman and Chief Executive Officer)

Mr. Xiao Xiao (Vice Chairman)

Mr. Chen Yi

Mr. Luo Liang

Mr. Nip Yun Wing

Mr. Guo Yong

Mr. Kan Hongbo

#### *Non-executive Director*

Mr. Zheng Xuexuan

#### *Independent Non-executive Directors*

Mr. Lam Kwong Siu

Dr. Wong Ying Ho, Kennedy

Dr. Fan Hsu Lai Tai, Rita

Mr. Li Man Bun, Brian David

In accordance with Article 105(1) of the Company's Articles of Association, Mr. Hao Jian Min, Mr. Kan Hongbo, Dr. Wong Ying Ho, Kennedy and Dr. Fan Hsu Lai Tai, Rita shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## Report of Directors (continued)

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

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

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

## EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Information regarding directors' emoluments and senior management's emoluments are set out in notes 13 and 47 to the financial statements. Mr. Nip Yun Wing's fixed remuneration been changed to HK\$3,048,000 per annum due to the increase of his monthly salary from 1 February, 2015. From 1 March 2015, the director's fee of Mr. Lam Kwong Siu been changed to HK\$390,000 per annum and the directors' fee of Dr. Wong Ying Ho, Kennedy, Dr. Fan Hsu Lai Tai, Rita and Mr. Li Man Bun, Brian David been changed to HK\$500,000 per annum. The annual salaries of other directors remain unchanged.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Organisation" on pages 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 2014:

	Date of Grant	Number of underlying shares comprised in options				Outstanding at 31.12.2014
		Outstanding at 01.01.2014	Adjustment/Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	
Aggregate of employees other than Director of the Company*	18.06.2004 (vi)	2,718,668	–	(1,359,334)	(1,359,334)	–

\* Represents employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

- (2) During the year, options to subscribe for a total of 1,359,334 Shares of the Company were exercised on 8 May 2014 and the weighted average closing price immediately before the exercise was HK\$20.43.

## Report of Directors (continued)

- (3) The Company's share option scheme has expired on 15 August 2012. The last lot of option granted under this scheme and unexercised has lapsed after 17 June 2014.

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	Lapsed**
				(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.

\*\* Lapsed after 17 June 2014.

(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 2014, 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	–	3,353,172	0.0410%
Mr. Xiao Xiao	1,022,064	–	1,022,064	0.0125%
Mr. Guo Yong	200,000	–	200,000	0.0024%
Mr. Kan Hongbo	696,800	–	696,800	0.0085%
Mr. Li Man Bun, Brian David	5,460,000	–	5,460,000	0.0668%

## Report of Directors (continued)

### (b) Long Positions in Shares and Underlying Shares of the Associated Corporation (all being personal interest and being held in the capacity of beneficial owner)

Name of director	Number of shares held	Total	% of shares in issue <i>(Notes 5 and 6)</i>
<b>— China State Construction Engineering Corporation Limited</b>			
Mr. Zheng Xuexuan	360,000	360,000	0.001%
Mr. Chen Yi	320,000	320,000	0.001%
<b>— China Overseas Grand Oceans Group Limited</b>			
Mr. Luo Liang	70,000	70,000	0.003%

*Notes:*

- 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.
- The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2014 (i.e. 8,173,975,506 shares).
- 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).
- 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 2014 (i.e. 4,012,417,632 shares).
- 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 2014 (i.e. 30,000,000,000 shares).
- 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 2014 (i.e. 2,282,239,894 shares).

Besides, Messrs. Xiao Xiao and Luo Liang held respectively 1,879,278 and 3,531,469 shares in China State Construction International Holdings Limited ("CSCIHL"), associated corporation of the Company. Mr. Xiao Xiao also held 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. Xiao Xiao and Luo Liang respectively are 2,838,525 and 3,531,469 representing 0.071% and 0.088% 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 2014, any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## Report of Directors (continued)

### ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

### DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to existing Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Messrs. Hao Jian Min, Xiao Xiao, Chen Yi, Zheng Xuexuan, Luo Liang, Guo Yong and Kan Hongbo 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 2014, 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") (Note 2)	3,837,380,380 509,136,928	– 175,690,923	–	46.95% 6.23%	– 2.15%	–	– Beneficial owner – Interest of controlled corporation
China State Construction Engineering Corporation Limited ("CSCECL") (Note 3)	4,346,517,308	175,690,923	–	53.18%	2.15%	–	– Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") (Note 3)	4,346,517,308	175,690,923	–	53.18%	2.15%	–	– Interest of controlled corporation
JP Morgan Chase & Co.	90,280,794 130,613,975 342,968,691	33,072,462 – –	342,968,691 – –	6.89%	0.40%	4.19%	Beneficial owner Investment manager Custodian corporation/approved lending agent

## Report of Directors (continued)

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2014 (i.e. 8,173,975,506 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 2014.

## MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2014, 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 117 to 130. Save as the related party transactions disclosed in note 47 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately HK\$83 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.

## Report of Directors (continued)

### DONATIONS

During the year, the Group made charitable and other donations amounted to approximately HK\$1,442,000.

### 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

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

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

### EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in note 48 to the financial statements.

On behalf of the Board

**Hao Jian Min**

*Chairman and Chief Executive Officer*

Hong Kong, 24 March 2015

# Connected, Continuing Connected and Related Party Transactions

## Definitions

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

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

## Connected, Continuing Connected and Related Party Transactions (continued)

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

During the year under review, the Group entered into the following connected transactions or continuing connected transactions which are exempted from independent shareholders’ approval requirement under Rule 14A.76(2) of the Listing Rules (Rule 14A.34 of the then Listing Rules valid until 30 June 2014) or which have been approved by independent shareholders in pursuance of Rule 14A.36 of the Listing Rules (Rule 14A.17, Rule 14A.35 or Rule 14A.43 of the then Listing Rules valid until 30 June 2014):

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

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

- (a) an engagement agreement in respect of the engagement of the CSC Group by the COLI Group as construction contractor for the COLI Group in the PRC, Hong Kong and Macau (“**Master CSC Group Engagement Agreement**”);
- (b) an agreement in respect of the leasing of properties by the CSC Group from the COLI Group (“**Master Lease Agreement**”);
- (c) an agreement in respect of the engagement of members of the COLI Group which hold the relevant licenses by the CSC Group for providing security services to the work sites of the CSC Group in Hong Kong (“**Master Security Services Agreement**”); and
- (d) an agreement in relation to the provision of heating pipes connection services for real estate project(s), which is (are) located in Shenyang, developed by the COLI Group (“**Project(s)**”) (“**Master Heating Pipes Connection Services Agreement**”).

## Connected, Continuing Connected and Related Party Transactions (continued)

Particulars of the aforementioned agreements are as follows:

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

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

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

## Connected, Continuing Connected and Related Party Transactions (continued)

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

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

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

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

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

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

During the year, the total contract sum awarded to the CSC Group under the Master CSC Group Engagement Agreement was HK\$24.8 million (2013: HK\$86.6 million) which did not exceed the cap of HK\$800 million.

## Connected, Continuing Connected and Related Party Transactions (continued)

During the year, the rental paid by the CSC Group under the Master Lease Agreement was HK\$14.8 million (2013: HK\$14.8 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 Master Security Services Agreement was HK\$3.2 million (2013: HK\$16.2 million) which did not exceed the cap of HK\$50 million.

During the year, the total contract sum awarded to CSC under the Master Heating Pipes Connection Services Agreement was HK\$34.0 million (2013: HK\$95.3 million) which did not exceed the cap of HK\$100 million.

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

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

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

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

Particulars of the aforementioned agreement are as follows:

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

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

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

## Connected, Continuing Connected and Related Party Transactions (continued)

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

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

During the year, the total contract sum awarded to the CSCECL Group under the Master CSCECL Group Engagement Agreement was RMB2,196.8 million (1 July 2013 to 31 December 2013: RMB1,002.2 million) which did not exceed the cap of RMB5,000 million.

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

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

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

<b>Period</b>	<b>Maximum contract sum that may be awarded by CSC Group to Huayi shall not exceed</b>
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.

## Connected, Continuing Connected and Related Party Transactions (continued)

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

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

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

During the year, the total contract sum awarded to Huayi under the Master Design Consultancy Services Agreement was nil (1 September 2013 to 31 December 2013: RMB57.4 million) which did not exceed the cap of RMB130 million.

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

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

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

<b>Period</b>	<b>Maximum fee for the provision of management services by the Company to the Entrusted Companies (i.e. the annual cap)</b>
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

## Connected, Continuing Connected and Related Party Transactions (continued)

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

- (1) the total amount of Entrusted Management Fees shall include a fixed annual management fee and an annual fee for the use of the existing brands or other intellectual properties owned by the Company;
- (2) the fixed annual management fee shall be HK\$1 million for each of the Entrusted Companies, representing fee payable for the provision of high level and professional guidance and supervision by the senior management of the Company to enhance the business operation and administration of the relevant Entrusted Companies; and
- (3) the annual fee for the use of the existing brands or other intellectual properties owned by the Company shall be calculated based on 1% of the annual turnover of each of the Entrusted Companies which uses such brands or intellectual properties.

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.

## Connected, Continuing Connected and Related Party Transactions (continued)

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

During the year, the total Entrusted Management Fee payable by the Entrusted Companies to the Group under the Entrusted Management Agreement was HK\$100 million which did not exceed the cap of HK\$100 million. As Entrusted Management Agreement took effect from 1 January 2014, no services was provided by the Company during the year 2013, thus no Entrusted Management Fee was payable by the Entrusted Management Company to the Group.

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

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

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

## Connected, Continuing Connected and Related Party Transactions (continued)

Particulars of the aforementioned new agreement are as follows:

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

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

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

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

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

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

During the year 2014, no contract was awarded to the CSCECL Group under the New Master CSCECL Group Engagement Agreement as it took effect from 1 January 2015.

## Connected, Continuing Connected and Related Party Transactions (continued)

Subsequent to the year under review and up to 24 March 2015 (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 14A.76(2) of the Listing Rules or which have been approved by independent shareholders in pursuance of Rule 14A.36 of the Listing Rules:

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

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

### *The Sale and Purchase Agreement (dated 24 March 2015)*

#### *Parties*

- (a) Alpha Progress Global Limited (as the Buyer);
- (b) King Praise Limited (as the Seller);
- (c) the Company (as the guarantor of the Buyer); and
- (d) COHL (as the guarantor of the Seller).

#### *Subject Matter*

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

#### *Target Company*

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

#### *Consideration*

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

#### *Basis of the Consideration*

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

## Connected, Continuing Connected and Related Party Transactions (continued)

### *Others*

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

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

### ***The Share Subscription Agreement (dated 24 March 2015)***

#### *Parties*

- (a) The Company (as the issuer); and
- (b) COHL (as the subscriber).

#### *Subject Matter*

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

#### *Subscription Price*

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

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

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

### ***Reasons for and the Benefits of the Transactions***

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

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

## Connected, Continuing Connected and Related Party Transactions (continued)

### *Implications of the Transactions under the Listing Rules*

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

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

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

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

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

To comply with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 117 to 126 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 annual cap set by the Company.

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

## Connected, Continuing Connected and Related Party Transactions (continued)

### Others

The continuing connected transactions disclosed above also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 47 to the financial statements. Transactions under “Fellow subsidiaries” section of item (a) therein also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

# Independent Auditor's Report



羅兵咸永道

## TO THE 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 133 to 226, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 80 of Schedule 11 to 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.

## 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 2014, 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, 24 March 2015

# Consolidated Income Statement

For the year ended 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Turnover	7	119,996,980	82,469,081
Cost of sales		(78,581,080)	(53,182,545)
Direct operating expenses		(2,178,234)	(2,464,519)
Other income and gains, net	9	39,237,666	26,822,017
Gain arising from changes in fair value of investment properties	16	1,577,511	904,461
Selling and distribution costs		(1,676,000)	(1,247,262)
Administrative expenses		(1,894,168)	(1,569,769)
Operating profit		42,413,993	28,347,553
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		499,035	838,117
Joint ventures		1,099,877	2,935,195
Finance costs	10	(345,544)	(290,363)
Profit before tax		43,667,361	33,288,678
Income tax expenses	11	(15,462,002)	(10,109,752)
Profit for the year	12	28,205,359	23,178,926
Attributable to:			
Owners of the Company		27,680,160	23,043,712
Non-controlling interests		525,199	135,214
		28,205,359	23,178,926
EARNINGS PER SHARE	14	HK\$	HK\$
Basic		3.39	2.82
Diluted		3.39	2.81
DIVIDENDS	15	HK\$'000	HK\$'000
Interim dividend paid		1,634,795	1,471,071
Final dividend proposed		2,860,891	2,370,059
		4,495,686	3,841,130
Group turnover		119,996,980	82,469,081
Share of turnover of joint ventures		8,137,387	18,003,412
		128,134,367	100,472,493

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>Profit for the year</b>	<b>28,205,359</b>	23,178,926
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of the Company and its subsidiaries	(243,656)	2,582,366
Exchange differences on translation of joint ventures	(55,289)	417,860
	<b>(298,945)</b>	3,000,226
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of associates	(17,139)	140,679
Change in fair value of investments in syndicated property project companies	1,966	538
	<b>(15,173)</b>	141,217
<b>Other comprehensive income for the year</b>	<b>(314,118)</b>	3,141,443
<b>Total comprehensive income for the year</b>	<b>27,891,241</b>	26,320,369
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	27,366,729	26,158,834
Non-controlling interests	524,512	161,535
	<b>27,891,241</b>	26,320,369

# Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Non-current Assets</b>			
Investment properties	16	44,754,783	32,531,661
Property, plant and equipment	17	1,354,826	1,371,196
Prepaid lease payments for land	18	147,564	156,373
Interests in associates	20	4,891,040	4,496,092
Interests in joint ventures	21	10,836,232	11,434,403
Investments in syndicated property project companies	22	20,873	18,907
Amounts due from joint ventures	23	1,895,513	2,843,910
Pledged bank deposits	25	67,249	68,179
Goodwill	42	109,021	109,021
Deferred tax assets	40	2,838,648	2,277,091
		<b>66,915,749</b>	<b>55,306,833</b>
<b>Current Assets</b>			
Inventories	26	64,002	28,906
Stock of properties	27	194,955,954	160,952,085
Land development expenditure	28	1,428,682	3,409,653
Prepaid lease payments for land	18	8,112	7,978
Trade and other receivables	29	7,671,278	2,430,978
Deposits and prepayments		5,580,690	5,521,776
Deposits for land use rights for property development		15,124,018	19,835,111
Amounts due from associates	30	237,951	200,441
Amounts due from joint ventures	30	4,728,110	5,000,978
Amounts due from non-controlling interests	30	982,761	526,852
Tax prepaid		2,024,409	1,889,656
Bank balances and cash	31	51,215,340	41,411,223
		<b>284,021,307</b>	<b>241,215,637</b>
<b>Current Liabilities</b>			
Trade and other payables	32	35,419,982	21,523,324
Pre-sales deposits		46,848,386	61,414,386
Rental and other deposits		1,411,461	1,202,760
Amounts due to fellow subsidiaries	33	372,923	353,501
Amounts due to associates	33	279,635	280,596
Amounts due to joint ventures	33	8,483,634	5,651,284
Amounts due to non-controlling interests	35	134,189	842,221
Tax liabilities		20,418,009	16,357,023
Bank borrowings — due within one year	38	22,541,806	3,302,733
		<b>135,910,025</b>	<b>110,927,828</b>
<b>Net Current Assets</b>		<b>148,111,282</b>	<b>130,287,809</b>
<b>Total Assets Less Current Liabilities</b>		<b>215,027,031</b>	<b>185,594,642</b>

**Consolidated Statement of Financial Position (continued)**

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Capital and Reserves</b>			
Share capital	36	19,634,031	817,262
Reserves		113,699,552	109,153,321
Equity attributable to owners of the Company		133,333,583	109,970,583
Non-controlling interests		3,474,112	1,079,813
<b>Total Equity</b>		<b>136,807,695</b>	111,050,396
<b>Non-current Liabilities</b>			
Bank borrowings — due after one year	38	23,813,025	36,708,758
Guaranteed notes payable	39	48,177,442	32,688,088
Amounts due to non-controlling interests	35	739,186	581,634
Deferred tax liabilities	40	5,489,683	4,565,766
		<b>78,219,336</b>	74,544,246
		<b>215,027,031</b>	185,594,642

The financial statements on pages 133 to 226 were approved and authorised for issue by the Board of Directors on 24 March 2015 and are signed on its behalf by:

**Hao Jian Min**  
DIRECTOR

**Xiao Xiao**  
DIRECTOR

# Company Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	17	5,499	7,247
Investments in subsidiaries	19	1,927,777	1,907,276
Amounts due from subsidiaries	24	7,848,982	5,821,447
		<b>9,782,258</b>	7,735,970
<b>Current Assets</b>			
Stock of properties	27	1,351	1,351
Other receivables	29	8,888	21,257
Deposits and prepayments		303,622	20,544
Amounts due from subsidiaries	24	79,592,414	56,729,356
Tax prepaid		118	118
Bank balances and cash	31	2,233,047	10,718,836
		<b>82,139,440</b>	67,491,462
<b>Current Liabilities</b>			
Other payables	32	48,224	43,064
Other deposits		172	169
Amounts due to subsidiaries	34	31,477,714	17,766,070
Tax liabilities		18,643	18,643
Bank borrowings — due within one year	38	18,418,977	2,399,655
Other financial liabilities	25	133,532	104,242
		<b>50,097,262</b>	20,331,843
<b>Net Current Assets</b>		<b>32,042,178</b>	47,159,619
<b>Total Assets Less Current Liabilities</b>		<b>41,824,436</b>	54,895,589
<b>Capital and Reserves</b>			
Share capital	36	19,634,031	817,262
Reserves	37	5,882,732	24,765,172
<b>Total Equity</b>		<b>25,516,763</b>	25,582,434
<b>Non-current Liabilities</b>			
Bank borrowings — due after one year	38	15,772,082	28,848,163
Other financial liabilities	25	535,591	464,992
		<b>16,307,673</b>	29,313,155
		<b>41,824,436</b>	54,895,589

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	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
<b>THE GROUP</b>												
At 1 January 2013	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 its 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
Profit for the year	-	-	-	-	-	-	-	-	27,680,160	27,680,160	525,199	28,205,359
Exchange differences on translation of the Company and its subsidiaries	-	-	-	-	-	-	(242,969)	-	-	(242,969)	(687)	(243,656)
Exchange differences on translation of joint ventures	-	-	-	-	-	-	(55,289)	-	-	(55,289)	-	(55,289)
Exchange differences on translation of associates	-	-	-	-	-	-	(17,139)	-	-	(17,139)	-	(17,139)
Change in fair value of investments in syndicated property project companies	-	-	-	-	-	1,966	-	-	-	1,966	-	1,966
Total comprehensive income for the year	-	-	-	-	-	1,966	(315,397)	-	27,680,160	27,366,729	524,512	27,891,241
Transfer on 3 March 2014 (note 36)	18,814,988	(18,796,190)	(18,798)	-	-	-	-	-	-	-	-	-
2013 final dividend paid	-	-	-	-	-	-	-	-	(2,370,453)	(2,370,453)	-	(2,370,453)
Contributions from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,925,453	1,925,453
Issue of shares upon exercise of share options	1,781	-	-	(262)	-	-	-	-	-	1,519	-	1,519
Share options expired	-	-	-	(238)	-	-	-	-	238	-	-	-
2014 interim dividend paid	-	-	-	-	-	-	-	-	(1,634,795)	(1,634,795)	-	(1,634,795)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(43,008)	(43,008)
Release of exchange reserve upon liquidation of subsidiaries	-	-	-	-	-	-	(619)	-	619	-	-	-
Return of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(12,658)	(12,658)
Transfer to PRC statutory reserve	-	-	-	-	-	-	-	813,797	(813,797)	-	-	-
At 31 December 2014	19,634,031	-	-	-	22,950	20,829	10,179,223	2,874,435	100,602,115	133,333,583	3,474,112	136,807,695

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 2014

NOTE	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	43,667,361	33,288,678
Adjustments for:		
Share of profits of associates	(499,035)	(838,117)
Share of profits of joint ventures	(1,099,877)	(2,935,195)
Finance costs	345,544	290,363
Depreciation and amortisation	115,452	109,401
Interest income	(494,969)	(659,354)
Gain arising from changes in fair value of investment properties	(5,168,984)	(3,438,106)
Fair value remeasurement of the Group's previously held equity interest in certain joint ventures immediately prior to acquisitions	–	(1,458,176)
Loss on disposals of property, plant and equipment	263	277
Operating cash flows before movements in working capital	36,865,755	24,359,771
Increase in inventories	(35,146)	(3,910)
Increase in stock of properties	(14,777,482)	(22,902,653)
Decrease/(increase) in land development expenditure	1,966,539	(35,312)
Increase in trade and other receivables, deposits and prepayments	(5,318,811)	(570,289)
Increase in deposits for land use rights for property development	(11,520,380)	(19,405,073)
(Increase)/decrease in restricted bank balances	(442,952)	496,666
(Decrease)/increase in trade and other payables, pre-sales deposits, and rental and other deposits	(176,594)	17,715,345
Cash generated from/(used in) operations	6,560,929	(345,455)
Income taxes paid	(11,124,334)	(9,741,021)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,563,405)</b>	<b>(10,086,476)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	494,969	659,354
Dividends received from joint ventures	1,765,337	1,749,584
Decrease/(increase) in pledged bank deposits	695	(16,743)
Purchase of property, plant and equipment	(105,820)	(482,050)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	–	(822,934)
Additions of investment properties	(5,246,907)	(4,094,498)
Advances to an associate	(37,827)	–
Repayment from joint ventures	1,203,769	1,407,919
Advances to non-controlling interests	(457,076)	(72,350)
Capital contributions to a joint venture	(122,578)	(31,529)
Capital distribution from a joint venture	–	528,446
Dividends received from associates	86,948	95,337
Net proceeds on disposals of property, plant and equipment	11,102	18,628
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,407,388)</b>	<b>(1,060,836)</b>

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2014

	NOTE	2014 HK\$'000	2013 HK\$'000
<b>FINANCING ACTIVITIES</b>			
Interest paid		(3,518,837)	(2,267,198)
Other finance costs paid		(122,642)	(105,980)
Dividends paid		(4,005,248)	(3,432,499)
Dividends paid to non-controlling interests		(43,008)	(134,274)
New bank loans raised		11,001,562	15,265,658
Repayment of bank loans		(4,640,795)	(13,154,100)
Issue of guaranteed notes		15,458,447	11,524,372
Issue of shares upon exercise of share options		1,519	109
Return of capital to non-controlling interests		(12,658)	(46,199)
Advances from an associate		–	44,926
Advances from joint ventures		2,847,742	3,311,645
Contributions from non-controlling interests		–	29,996
(Repayment of)/advances from non-controlling interests		(544,839)	121,848
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>16,421,243</b>	<b>11,158,304</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>9,450,450</b>	<b>10,992</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>40,875,760</b>	<b>39,879,598</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(88,068)</b>	<b>985,170</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>50,238,142</b>	<b>40,875,760</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash		51,215,340	41,411,223
Less: restricted bank balances	31	(977,198)	(535,463)
		<b>50,238,142</b>	<b>40,875,760</b>

# Notes to the Financial Statements

For the year ended 31 December 2014

## 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 HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC)-Int 21	Levies

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

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

Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans — Employees Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
HKFRS 9 (2014)	Financial Instruments <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Annual Improvements Project	Annual Improvements 2010 — 2012 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2011 — 2013 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2012 — 2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

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

In accordance with the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Group's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 consideration given in exchange for goods.

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 the results in the non-controlling interests having a deficit balance.

#### **Changes in the Group's ownership interests in existing subsidiaries**

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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.

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Business Combinations (continued)

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

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

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

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Interests in Joint Ventures

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

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of 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 ventures.

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 joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment Properties

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

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

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

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

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

#### Property, Plant and Equipment

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

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

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### Financial Assets (continued)

###### *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 of financial assets below).

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets (comprising investments in syndicated property project companies) 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 of financial assets below).

###### *Impairment of financial assets*

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### Financial Assets (continued)

###### Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly recognized 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.

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 an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### Financial Guarantee Contracts

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

##### 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.

##### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leasing

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

#### The Group as lessor

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

#### The Group 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.

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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 capital. 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

#### (a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2014 at their fair values of approximately HK\$44,755 million (2013: HK\$32,532 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 Interests in and Amounts due from Joint Ventures and Associates

Management assessed the recoverability of the Group's interests in joint ventures and associates and amounts due from joint ventures and associates undertaking property development projects in the PRC with an aggregate carrying amount of approximately HK\$10,836 million (2013: HK\$11,434 million), HK\$4,891 million (2013: HK\$4,496 million), HK\$6,624 million (2013: HK\$7,845 million) and HK\$238 million (2013: HK\$200 million) respectively included in the consolidated statement of financial position at 31 December 2014.

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

#### (c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2014 is stock of properties with an aggregate carrying amount of approximately HK\$194,956 million (2013: HK\$160,952 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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, other reserves and retained profits.

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

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

The net gearing ratio at the year end were as follows:

	2014 HK\$'000	2013 HK\$'000
Bank borrowings	46,354,831	40,011,491
Guaranteed notes payables	48,177,442	32,688,088
Total debt	94,532,273	72,699,579
Less: Bank balances and cash ( <i>Note</i> )	(51,282,589)	(41,479,402)
Net debt	43,249,684	31,220,177
Equity attributable to owners of the Company	133,333,583	109,970,583
Net gearing ratio	32.4%	28.4%

*Note: Bank balances and cash include pledged bank deposits.*

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>				
Loans and receivables at amortised cost (including cash and cash equivalents)	66,798,202	52,482,561	89,683,331	73,290,896
Available-for-sale financial assets (investments in syndicated property project companies)	20,873	18,907	–	–
<b>Financial liabilities</b>				
Liabilities at amortised cost	139,961,822	101,932,139	65,716,997	49,056,952
Financial guarantee contracts	–	–	669,123	569,234

#### 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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\$41,519 million (2013: HK\$40,011 million), approximately HK\$764 million (2013: HK\$764 million) and nil (2013: HK\$622 million), respectively. The Company's cash flow interest rate risk relates to its variable-rate bank loans amounting to approximately HK\$29,356 million (2013: HK\$31,248 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. Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank loans, amounts due from joint ventures, the guaranteed notes payable, and amounts due to non-controlling interests, amounting to approximately HK\$4,835 million (2013: nil), approximately HK\$456 million (2013: HK\$458 million), approximately HK\$48,177 million (2013: HK\$32,688 million) and approximately HK\$661 million (2013: HK\$220 million), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rates amounts due from subsidiaries and bank loans amounting to nil (2013: HK\$2,264 million) and approximately HK\$4,835 million (2013: nil), respectively. 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 (2013: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax ended 31 December 2014 would decrease/increase by HK\$38,348,000 (2013: HK\$48,453,000) after capitalising finance costs in properties under development and investment properties under construction of HK\$369,205,000 (2013: HK\$350,235,000). 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 (2013: 100) basis point higher/lower and all other variables were held constant, the Company's profit before tax ended 31 December 2014 would decrease/increase by HK\$293,556,000 (2013: HK\$312,478,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans.

##### *Currency risk*

The Group and the Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK\$-denominated bank borrowings and US\$-denominated guaranteed notes in aggregate account for 82.0% of the Group's interest-bearing debts, therefore, the Group shall pay attention to the foreign exchange risk arising from RMB depreciation. As the Group considers that RMB is exposed to risk of depreciation in the short term but would appreciate in the medium-term, the foreign exchange risk would not be high. 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Assets</b>				
HK\$	1,341,755	3,983,058	6,840,004	7,954,306
United States dollars ("US\$")	8,255,653	9,136,299	2,112,233	6,058,639
<b>Liabilities</b>				
HK\$	29,237,538	30,998,339	34,640,873	30,789,857
US\$	49,125,836	33,504,317	503,182	501,025

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 6. FINANCIAL INSTRUMENTS (continued)

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

##### (i) Market risk (continued)

###### *Currency risk sensitivity analysis*

The Group and the Company mainly exposes to the currency of US\$ and HK\$. The following details the Group's and the Company's sensitivity to a 5% (2013: 5%) increase and decrease in the RMB against US\$ and HK\$, respectively. 5% (2013: 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% (2013: 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 payables denominated in US\$ expose to foreign currency exchange rate risk against HK\$. As HK\$ is pegged to US\$, management considered the foreign currency exchange risk exposed to these US\$ guaranteed notes payable is insignificant.

###### THE GROUP

For a 5% (2013: 5%) decrease/increase of RMB against the US\$ or HK\$ and all other variables were held constant, the Group's profit before tax ended 31 December 2014 would decrease/increase by HK\$241,381,000 (2013: HK\$219,112,000) after capitalising of exchange gain/loss in properties under development and investment properties under construction of HK\$2,323,977,000 (2013: HK\$1,583,810,000). 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% (2013: 5%) decrease/increase 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 2014 would decrease/increase by HK\$1,309,591,000 (2013: HK\$863,897,000). 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 6. FINANCIAL INSTRUMENTS (continued)

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

##### (ii) Credit risk

As at 31 December 2014, 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 2014

### 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 guarantee notes as a significant source of liquidity. As at 31 December 2014, the Group maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following table analyses the contractual undiscounted cash flows of the Group's 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 rates, the undiscounted amounts are derived from flat rates at the end of the reporting period. The undiscounted amounts are subject to changes if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

#### THE GROUP

	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2014</b>						
Trade and other payables	33,224,913	1,630,010	506,472	58,587	35,419,982	35,419,982
Amounts due to fellow subsidiaries	372,923	–	–	–	372,923	372,923
Amounts due to associates	279,635	–	–	–	279,635	279,635
Amounts due to joint ventures	8,483,634	–	–	–	8,483,634	8,483,634
Amounts due to non-controlling interests	185,919	782,113	–	–	968,032	873,375
Bank borrowings	23,718,356	9,877,254	14,989,877	–	48,585,487	46,354,831
Guaranteed notes payable	2,026,985	2,472,197	22,727,071	50,946,799	78,173,052	48,177,442
Financial guarantee contracts	18,232,526	500,697	316,897	–	19,050,120	–
	86,524,891	15,262,271	38,540,317	51,005,386	191,332,865	139,961,822

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
<b>2013</b>						
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	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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 6. FINANCIAL INSTRUMENTS (continued)

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

##### (iii) Liquidity risk (continued)

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 HK\$'000
<b>2014</b>						
Other payables	48,224	–	–	–	48,224	48,224
Amounts due to subsidiaries	31,477,714	–	–	–	31,477,714	31,477,714
Bank borrowings	18,929,142	5,103,741	11,276,487	–	35,309,370	34,191,059
Financial guarantee contracts	3,023,197	5,068,449	13,099,561	38,759,000	59,950,207	669,123
	<b>53,478,277</b>	<b>10,172,190</b>	<b>24,376,048</b>	<b>38,759,000</b>	<b>126,785,515</b>	<b>66,386,120</b>
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2013</b>						
Other payables	43,064	–	–	–	43,064	43,064
Amounts due to subsidiaries	17,766,070	–	–	–	17,766,070	17,766,070
Bank borrowings	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
	<b>21,976,606</b>	<b>22,057,841</b>	<b>24,207,988</b>	<b>23,265,000</b>	<b>91,507,435</b>	<b>49,626,186</b>

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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 6. FINANCIAL INSTRUMENTS (continued)

#### 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.

#### 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

	<b>Investments in syndicated property project companies</b> <i>HK\$'000</i>
At 1 January 2013	18,369
Change in fair value of investments in syndicated property project companies	538
At 31 December 2013	18,907
Change in fair value of investments in syndicated property project companies	1,966
<b>At 31 December 2014</b>	<b>20,873</b>

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 2014

### 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:

	2014 HK\$'000	2013 HK\$'000
Proceeds from property development activities	116,253,701	78,614,818
Property rentals	1,184,917	857,512
Revenue from real estate agency and management services	2,006,286	1,768,469
Other income (Note)	552,076	1,228,282
	<b>119,996,980</b>	<b>82,469,081</b>

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

### 8. SEGMENT INFORMATION

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

- Property development – proceeds from property development activities
- Property investment – property rentals
- Other operations – revenue from real estate agency and management services, construction and building design consultancy services

Management closely monitors the selling activities for the property development projects carried out by its subsidiaries and 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 form part of the critical components of the Group's financial performance. Therefore, the 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 2014

### 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 2014

	Property development HK\$'000	Property investment HK\$'000	Other operations HK\$'000	Segments total HK\$'000
<b>Segment turnover</b>				
– from external customers	116,253,701	1,184,917	2,558,362	119,996,980
<b>Group's share of turnover of joint ventures</b>	8,137,387	–	–	8,137,387
<b>Turnover of the Group and Group's share of turnover of joint ventures</b>	124,391,088	1,184,917	2,558,362	128,134,367
<b>Segment profit (including share of profits of associates and joint ventures)</b>	37,694,416	6,033,659	110,744	43,838,819
<b>Group's share of profit of joint ventures</b>	1,099,877	–	–	1,099,877

#### Year ended 31 December 2013

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 (losses)/gains. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

	2014 HK\$'000	2013 HK\$'000
Reportable segment profit	43,838,819	31,740,609
Unallocated items:		
Interest income on bank deposits	414,868	538,264
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	–	1,458,176
Corporate expenses	(220,015)	(170,843)
Finance costs	(345,544)	(290,363)
Net foreign exchange (losses)/gains	(20,767)	12,835
Profit before tax	43,667,361	33,288,678

#### Segment assets and liabilities

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

##### At 31 December 2014

	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)	252,838,632	44,834,829	2,048,255	299,721,716
Segment liabilities (including amounts due to associates and joint ventures) (Note b)	(112,034,518)	(5,516,575)	(2,045,995)	(119,597,088)

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 8. SEGMENT INFORMATION (continued)

#### Segment assets and liabilities (continued)

At 31 December 2013

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Segments total <i>HK\$'000</i>
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)

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.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Reportable segment assets	<b>299,721,716</b>	255,111,247
Unallocated items:		
Bank balances and cash	<b>51,215,340</b>	41,411,223
Consolidated total assets	<b>350,937,056</b>	296,522,470
Reportable segment liabilities	<b>(119,597,088)</b>	(112,772,495)
Unallocated items:		
Bank borrowings	<b>(46,354,831)</b>	(40,011,491)
Guaranteed notes payable	<b>(48,177,442)</b>	(32,688,088)
Consolidated total liabilities	<b>(214,129,361)</b>	(185,472,074)

Notes:

(a) Segment assets include interests in and amounts due from joint ventures of HK\$10,836,232,000 (2013: HK\$11,434,403,000) and HK\$6,623,623,000 (2013: HK\$7,844,888,000) respectively.

(b) Segment liabilities include amounts due to joint ventures of HK\$8,483,634,000 (2013: HK\$5,651,284,000).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 8. SEGMENT INFORMATION (continued)

#### Other Segment information

##### Year ended 31 December 2014

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets ( <i>Note</i> )	52,642	6,150,184	53,178	6,256,004
Loss on disposals of property, plant and equipment	125	2	136	263
Depreciation and amortisation	39,393	3,574	72,485	115,452
Gain arising from changes in fair value of investment properties	–	5,168,984	–	5,168,984
Interest income on amounts due from joint ventures	80,085	–	–	80,085
Share of profits of associates	499,035	–	–	499,035

##### Year ended 31 December 2013

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets ( <i>Note</i> )	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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hua Nan Region	35,877,176	26,425,297	7,222,478	4,169,236
Hua Dong Region	29,591,972	12,378,852	3,360,205	2,419,037
Hua Bei Region	15,260,232	12,261,619	17,745,510	14,431,379
Northern Region	21,455,141	13,972,593	3,571,274	2,136,781
Western Region	13,616,448	11,997,427	9,710,898	6,353,567
Hong Kong	905,950	5,421,687	4,532,927	4,465,356
Macau	3,290,061	11,606	222,902	192,895
	<b>119,996,980</b>	<b>82,469,081</b>	<b>46,366,194</b>	<b>34,168,251</b>

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 2014

### 9. OTHER INCOME AND GAINS, NET

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other income and gains, net include:		
Interest on bank deposits	414,868	538,264
Interest income on amounts due from joint ventures	80,085	121,065
Other interest income	16	25
Total interest income	494,969	659,354
Net foreign exchange (losses)/gains	(20,767)	12,835

### 10. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank loans and guaranteed notes wholly repayable within five years	1,952,276	1,428,259
Interest on guaranteed notes not wholly repayable within five years	1,597,468	854,954
Other finance costs	122,642	105,980
Total finance costs	3,672,386	2,389,193
Less: Amount capitalised	(3,326,842)	(2,098,830)
	345,544	290,363

Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 3.91% (2013: 3.23%) per annum to expenditure on qualifying assets.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 11. INCOME TAX EXPENSES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	10,664	155,117
Macau income tax	253,612	–
PRC Enterprise Income Tax (“EIT”)	8,276,538	5,266,821
PRC withholding income tax	219,055	195,945
PRC LAT	6,387,247	4,065,491
	<b>15,147,116</b>	9,683,374
(Over)/under-provision in prior years:		
Hong Kong profits tax	4,796	5,179
Macau income tax	–	139
EIT	(220)	(5,859)
LAT	(57,730)	(62,474)
	<b>(53,154)</b>	(63,015)
Deferred tax (note 40):		
Current year	368,040	489,393
Total	<b>15,462,002</b>	10,109,752

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 11. INCOME TAX EXPENSES (continued)

Hong Kong profits tax is calculated at 16.5% (2013: 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% (2013: 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% (2013: 12%) in Macau.

Details of deferred tax are set out in note 40.

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

	2014 HK\$'000	2013 HK\$'000
Profit before tax	43,667,361	33,288,678
Tax at the applicable tax rate of 25% (2013: 25%)	10,916,840	8,322,170
PRC withholding income tax	219,055	195,945
LAT	6,387,247	4,065,491
Tax effect of LAT	(1,596,812)	(1,016,373)
Tax effect of share of results of associates and joint ventures	(399,728)	(943,328)
Tax effect of expenses not deductible for tax purpose	287,381	141,678
Tax effect of income not taxable for tax purpose	(60,705)	(633,795)
Over-provision in prior years	(53,154)	(63,015)
Tax effect of tax losses not recognised	155,015	89,861
Utilisation of tax losses previously not recognised	(121,393)	(34,307)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	(13,113)	32,544
Effect of different tax rates applicable to subsidiaries operating in		
Hong Kong and Macau	(289,865)	(84,456)
Others	31,234	37,337
Income tax expenses for the year	15,462,002	10,109,752

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 12. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit services	8,750	8,400
Non-audit services	1,690	1,092
	<b>10,440</b>	9,492
Business tax and other levies	<b>6,517,384</b>	4,272,615
Depreciation of property, plant and equipment	<b>107,340</b>	101,423
Amortisation of prepaid lease payments for land	<b>8,112</b>	7,978
Staff costs including directors' emoluments (Note)	<b>1,776,126</b>	1,264,452
Rental expenses in respect of land and buildings under operating leases	<b>67,306</b>	53,432
Share of tax of		
Associates	<b>408,193</b>	251,295
Joint ventures	<b>681,045</b>	1,488,313
Loss on disposals of property, plant and equipment	<b>263</b>	277
Cost of stock of properties recognised as expenses	<b>72,231,003</b>	49,047,465
Cost of inventories recognised as expenses	<b>445,018</b>	383,961
Rental income in respect of investment properties under operating leases, net of outgoings of HK\$125,291,000 (2013: HK\$92,024,000)	<b>(1,059,626)</b>	(765,488)

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\$83 million (2013: HK\$74 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 2014

### 13. DIRECTORS' EMOLUMENTS

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

	Year ended 31 December 2014				Total HK\$'000
	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	
<b>Executive Directors</b>					
Hao Jian Min	–	5,671	3,018	17	8,706
Xiao Xiao	–	5,331	3,018	17	8,366
Chen Yi	–	2,571	2,873	17	5,461
Luo Liang	–	1,781	7,810	17	9,608
Nip Yun Wing	–	2,888	1,700	17	4,605
Guo Yong	–	1,254	4,661	17	5,932
Kan Hongbo	–	1,213	5,668	17	6,898
<b>Non-executive Director</b>					
Zheng Xuexuan	300	–	–	–	300
<b>Independent Non-executive Directors</b>					
Li Man Bun, Brian David	360	–	–	–	360
Lam Kwong Siu	250	–	–	–	250
Wong Ying Ho, Kennedy	360	–	–	–	360
Fan Hsu Lai Tai, Rita	360	–	–	–	360
	<b>1,630</b>	<b>20,709</b>	<b>28,748</b>	<b>119</b>	<b>51,206</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 13. DIRECTORS' EMOLUMENTS (continued)

	Note	Year ended 31 December 2013				Total HK\$'000
		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	
<b>Executive Directors</b>						
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
<b>Non-executive Director</b>						
Zheng Xuexuan		300	–	–	–	300
<b>Independent Non-executive Directors</b>						
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

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

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 (2013: three) were directors of the Company whose emoluments are included above. The emolument of the remaining two (2013: two) individuals was set out in note 47.

No directors waived any emoluments in both years ended 31 December 2014 and 31 December 2013.

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 2014 and 31 December 2013.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014 HK\$'000	2013 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	27,680,160	23,043,712
Adjustment to the profit of the Group based on dilutive earnings per share of China Overseas Grand Oceans Group Limited ("COGO")	–	(83,141)
Earnings for the purpose of diluted earnings per share	27,680,160	22,960,571

	2014 '000	2013 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,173,502	8,172,586
Effect of dilutive potential ordinary shares		
Share options	1,036	2,614
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,174,538	8,175,200

### 15. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividend recognised as distributions during the year		
Interim dividend paid in respect of financial year ended 31 December 2014 of HK20 cents (2013: financial year ended 31 December 2013 interim dividend of HK18 cents) per share	1,634,795	1,471,071
Final dividend paid in respect of financial year ended 31 December 2013 of HK29 cents (2013: financial year ended 31 December 2012 final dividend of HK24 cents) per share	2,370,453	1,961,428
	4,005,248	3,432,499

The final dividend of HK35 cents in respect of the financial year ended 31 December 2014 (2013: final dividend of HK29 cents in respect of the financial year ended 31 December 2013) per share, amounting to HK\$2,860,891,000 (2013: HK\$2,370,059,000) 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 2014

### 16. INVESTMENT PROPERTIES

	Completed		Under construction	Total HK\$'000
	The PRC HK\$'000	Hong Kong & Macau HK\$'000	The PRC HK\$'000	
<b>THE GROUP</b>				
<b>FAIR VALUE</b>				
At 1 January 2013	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
Gain arising from changes in fair value of investment properties	1,698,013	159,500	1,580,593	3,438,106
Transfer upon completion	747,901	–	(747,901)	–
Transfer from completed properties	590,356	–	–	590,356
Exchange realignment	414,185	–	337,189	751,374
At 31 December 2013	15,398,001	4,270,700	12,862,960	32,531,661
Additions of land cost and construction costs	–	–	6,150,184	6,150,184
Gain arising from changes in fair value of investment properties	1,345,916	85,300	3,737,768	5,168,984
Transfer upon completion	8,624,667	–	(8,624,667)	–
Transfer from completed properties	983,641	–	–	983,641
Exchange realignment	(50,755)	–	(28,932)	(79,687)
<b>At 31 December 2014</b>	<b>26,301,470</b>	<b>4,356,000</b>	<b>14,097,313</b>	<b>44,754,783</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 16. INVESTMENT PROPERTIES (continued)

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

	THE GROUP	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Investment properties:		
In Hong Kong		
Long-term leases	748,400	730,400
Medium-term leases	3,415,600	3,352,300
In Macau		
Medium-term leases	192,000	188,000
In the PRC		
Medium-term leases	40,398,783	28,260,961
	<b>44,754,783</b>	32,531,661

#### 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 2014 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 valuers at least twice a year.

At each financial year end the finance department:

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 2014 <i>HK\$'000</i>	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	14,097,313	Residual method	Discount rate	5.6%–6.2%
			Estimated costs to completion	RMB2,000–RMB6,800 per square meter
			Estimated developer's profit	12.0%–28.0%
Completed investment properties in the PRC	26,301,470	Investment approach	Prevailing market rents	RMB100–RMB400 per square meter per month
			Reversionary yield	5.5%–9.0%
Completed investment properties in Hong Kong and Macau	4,356,000	Investment approach	Prevailing market rents	HK\$25–HK\$60 per square feet per month
			Reversionary yield	2.4%–5.0%

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 16. INVESTMENT PROPERTIES (continued)

#### Fair value measurements using significant unobservable inputs (continued)

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

Description	Fair value at 31 December 2013 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the 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	13.0%–27.0%
Completed investment properties in the 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 lettings transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value.

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

Estimated costs to completion and developer's profit required are estimated by the independent valuer based on market conditions at 31 December 2014 and 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 lower the costs and developer's profits, the higher the fair value.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Hotel building <i>HK\$'000</i>	Plant, machinery and equipment <i>HK\$'000</i>	Furniture, fixtures, office equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>					
<b>COST</b>					
At 1 January 2013	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
Exchange realignment	(504)	(2,548)	(234)	(906)	(4,192)
Additions	30,800	–	4,404	70,616	105,820
Disposals	–	–	(1,194)	(27,296)	(28,490)
At 31 December 2014	639,568	642,637	108,520	397,662	1,788,387
<b>DEPRECIATION</b>					
At 1 January 2013	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
Exchange realignment	(113)	(76)	(40)	(478)	(707)
Provided for the year	19,941	31,945	6,642	48,812	107,340
Eliminated on disposals	–	–	(216)	(16,909)	(17,125)
At 31 December 2014	79,498	63,975	56,408	233,680	433,561
<b>CARRYING VALUES</b>					
<b>At 31 December 2014</b>	<b>560,070</b>	<b>578,662</b>	<b>52,112</b>	<b>163,982</b>	<b>1,354,826</b>
At 31 December 2013	549,602	613,079	55,522	152,993	1,371,196

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

	<b>Furniture, fixtures, office equipment and motor vehicles</b>
	<i>HK\$'000</i>
<hr/>	
<b>THE COMPANY</b>	
<b>COST</b>	
At 1 January 2013	25,122
Additions	643
Disposals	(1,321)
<hr/>	
At 31 December 2013	24,444
Additions	77
Disposals	(26)
<hr/>	
At 31 December 2014	24,495
<hr/>	
<b>DEPRECIATION</b>	
At 1 January 2013	15,258
Provided for the year	1,965
Eliminated on disposals	(26)
<hr/>	
At 31 December 2013	17,197
Provided for the year	1,825
Eliminated on disposals	(26)
<hr/>	
At 31 December 2014	18,996
<hr/>	
<b>CARRYING VALUES</b>	
<b>At 31 December 2014</b>	<b>5,499</b>
<hr/>	
At 31 December 2013	7,247
<hr/>	

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
In Hong Kong		
Long-term lease	977	1,038
Medium-term leases	359,130	369,410
In the PRC		
Medium-term leases	778,625	792,233
	<b>1,138,732</b>	1,162,681

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

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

### 18. PREPAID LEASE PAYMENTS FOR LAND

	THE GROUP	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Land use rights in the PRC		
Medium-term leases	155,676	164,351
Analysed for reporting purposes as:		
Non-current asset	147,564	156,373
Current asset	8,112	7,978
	<b>155,676</b>	164,351

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014 HK\$'000	2013 HK\$'000
Investments in subsidiaries, unlisted	1,927,777	1,907,276

Particulars of the principal subsidiaries are set out in note 49.

### 20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2014 HK\$'000	2013 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	1,931,622	1,536,674
	4,891,040	4,496,092
Market value of the interest in the listed associate	3,414,800	6,404,917

Set out below are the particulars of the principal associates at 31 December 2014 and 2013 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 issued ordinary capital/ registered capital indirectly held		Principal activities
			2014	2013	
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 2014

### 20. INTERESTS IN ASSOCIATES (continued)

Set out below is the associate of the Group as at 31 December 2014, which, in the opinion of the directors of the Company, is material to the Group.

#### Summarised statement of financial position

	COGO	
	31 December 2014 HK\$'000	31 December 2013 HK\$'000
<b>Current</b>		
Cash and cash equivalents	8,811,605	7,093,362
Other current assets	43,077,999	32,486,228
<b>Total current assets</b>	<b>51,889,604</b>	39,579,590
Financial liabilities (excluding trade payables)	(9,315,583)	(4,604,090)
Other current liabilities (including trade payables)	(17,050,482)	(13,104,529)
<b>Total current liabilities</b>	<b>(26,366,065)</b>	(17,708,619)
<b>Non-current</b>		
<b>Total non-current assets</b>	<b>3,418,662</b>	3,421,638
Financial liabilities	(14,594,175)	(11,713,355)
Other liabilities	(1,375,657)	(1,307,590)
<b>Total non-current liabilities</b>	<b>(15,969,832)</b>	(13,020,945)
<b>Net assets</b>	<b>12,972,369</b>	12,271,664

#### Summarised statement of comprehensive income

	COGO	
	2014 HK\$'000	2013 HK\$'000
Revenue	13,981,328	15,905,893
Depreciation and amortisation	(17,005)	(16,623)
Interest income	65,943	81,018
Interest expense	(22,314)	(19,480)
Profit before tax	2,668,474	5,143,797
Income tax expenses	(1,222,494)	(1,761,144)
<b>Profit for the year</b>	<b>1,445,980</b>	3,382,653
<b>Other comprehensive income</b>	<b>(46,210)</b>	478,176
<b>Total comprehensive income</b>	<b>1,399,770</b>	3,860,829
<b>Dividends received from the associate</b>	<b>86,670</b>	95,337

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 20. INTERESTS IN ASSOCIATES (continued)

#### 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	
	2014 HK\$'000	2013 HK\$'000
Opening net assets at 1 January	12,271,664	9,791,738
Profit for the year (Note)	1,445,980	2,304,124
Other comprehensive income (Note)	(46,210)	453,153
Dividends paid	(526,445)	(277,351)
Acquisition of additional interest of subsidiaries	(172,620)	–
Closing net assets at 31 December (Note)	12,972,369	12,271,664
Non-controlling interests	(671,114)	(966,840)
Equity attributable to owners of the company	12,301,255	11,304,824
Interest in associate %	37.98%	37.98%
Interest in associate	4,672,017	4,293,572
Carrying value at 31 December	4,672,017	4,293,572

Note: Profit before taxes, income tax expenses and profit for the year of COGO for the years ended 31 December 2013 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 for the year ended 31 December 2013. No fair value adjustment is made for the year ended 31 December 2014.

#### Aggregate information of associates that are not individually material

	2014 HK\$'000	2013 HK\$'000
The Group's share of profit	17,676	4,363
The Group's share of other comprehensive income	(895)	7,951
The Group's share of total comprehensive income	16,781	12,314
Aggregate carrying amount of the Group's interests in these associates	219,023	202,520

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 21. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Cost of investments, unlisted	7,405,622	7,283,044
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,430,610	4,151,359
	<b>10,836,232</b>	11,434,403

Set out below are the particulars of the principal joint ventures at 31 December 2014 and 2013, which, in the opinion of the directors of the Company, to give details of other joint ventures would result in particulars of excessive length. These joint ventures are established and operating in the PRC, unless otherwise indicated.

Name of entity	Proportion of issued ordinary capital/ registered capital held by the Group		Principal activities
	2014	2013	
Elite Mind International Limited*	60% <sup>^</sup>	60% <sup>^</sup>	Investment holding
重慶嘉江房地產開發有限公司	60% <sup>^</sup>	60% <sup>^</sup>	Property development
Speedy Champ Investments Limited*	45% <sup>^</sup>	45% <sup>^</sup>	Investment holding
重慶豐盈房地產開發有限公司	45% <sup>^</sup>	45% <sup>^</sup>	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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 21. INTERESTS IN JOINT VENTURES (continued)

Name of entity	Proportion of issued ordinary capital/ registered capital held by the Group		Principal activities
	2014	2013	
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% <sup>^</sup>	60% <sup>^</sup>	Property development
寧波茶亭置業有限公司	35% <sup>^</sup>	35% <sup>^</sup>	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% <sup>^</sup>	51% <sup>^</sup>	Property development
武漢榮業房地產有限公司	50%	50%	Property development
蘇州依湖置業有限公司	50%	50%	Property development
華潤置地（太原）發展有限公司	50%	50%	Property development

\* 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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 21. INTERESTS IN JOINT VENTURES (continued)

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

#### Aggregate information of joint ventures that are not individually material

	2014 HK\$'000	2013 HK\$'000
The Group's share of profit	1,099,877	2,935,195
The Group's share of other comprehensive income	(55,289)	417,860
The Group's share of total comprehensive income	1,044,588	3,353,055
Aggregate carrying amount of the Group's interests in these joint ventures	10,836,232	11,434,403

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

### 22. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Unlisted Available-for-sale equity investments, at fair value	20,873	18,907

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
	%		
	2014	2013	
Direct Profit Development Limited	8	8	Property development
Dramstar Company Limited	12	12	Property development
Moricrown Ltd. *	7	7	Property development
Victory World Limited	10	10	Property development

\* Incorporated in the British Virgin Islands

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 23. AMOUNTS DUE FROM JOINT VENTURES UNDER NON-CURRENT ASSETS

	THE GROUP					
	2014			2013		
	Interest-free <i>HK\$'000</i>	Interest bearing <i>HK\$'000</i>	Total <i>HK\$'000</i>	Interest-free <i>HK\$'000</i>	Interest bearing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts due from joint ventures	1,131,374	764,139	1,895,513	2,079,344	764,566	2,843,910

At 31 December 2014, the interest bearing amount due from joint venture bears variable interest rates ranging from 6.33% to 6.35% (2013: 6.34% to 6.73%) 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\$.

### 24. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY					
	2014			2013		
	Interest-free <i>HK\$'000</i>	Interest bearing <i>HK\$'000</i>	Total <i>HK\$'000</i>	Interest-free <i>HK\$'000</i>	Interest bearing <i>HK\$'000</i>	Total <i>HK\$'000</i>
The amounts comprise:						
Unsecured and due one year after the end of reporting period included in non-current assets	7,848,982	–	7,848,982	3,557,805	2,263,642	5,821,447
Unsecured and repayable on demand included in current assets	79,592,414	–	79,592,414	56,729,356	–	56,729,356

Included in the balance are amounts due from subsidiaries of HK\$7,848,982,000 (2013: HK\$5,821,447,000) expected not to be realised within twelve months from the end of the reporting period and are classified as non-current assets.

At 31 December 2014, the amounts due from subsidiaries under non-current assets are interest free. At 31 December 2013, included in the amounts due from subsidiaries under non-current assets amounting to HK\$2,263,642,000 carried fixed interest rate of 5.5% per annum.

At the end of the reporting period, the Company has amounts due from subsidiaries of HK\$6,711,035,000 (2013: HK\$4,432,177,000) denominated in HK\$.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 25. PLEDGED BANK DEPOSITS AND OTHER FINANCIAL LIABILITIES

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Pledged bank deposits, included in non-current assets (Note a)</b>	<b>67,249</b>	68,179	–	–
<b>Other financial liabilities</b>				
Financial guarantee contracts due (Note b)				
— within one year	–	–	<b>133,532</b>	104,242
— more than one year, but not exceeding two years	–	–	<b>127,459</b>	99,364
— more than two years, but not exceeding five years	–	–	<b>225,726</b>	202,618
— over five years	–	–	<b>182,406</b>	163,010
	–	–	<b>669,123</b>	569,234
Less: Amounts classified as current liabilities	–	–	<b>(133,532)</b>	(104,242)
Amounts classified as non-current liabilities	–	–	<b>535,591</b>	464,992

Notes:

(a) The pledged bank deposits represent deposits pledged to banks to secure the mortgage loans granted by banks to the purchasers of the Group's properties. The deposits, which carry variable interest rate of 0.35% (2013: ranging from 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	
	2014 HK\$'000	2013 HK\$'000
Raw materials and consumables, at cost	<b>64,002</b>	28,906

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 27. STOCK OF PROPERTIES

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Completed properties	29,388,757	19,423,715	1,351	1,351
Properties under development (Note)	165,567,197	141,528,370	–	–
<b>Total stock of properties</b>	<b>194,955,954</b>	<b>160,952,085</b>	<b>1,351</b>	<b>1,351</b>

Note: Included in the amount are properties under development for sale of HK\$96,404,547,000 (2013: HK\$92,127,569,000) not expected to be realised within twelve months from the end of the reporting period.

### 28. LAND DEVELOPMENT EXPENDITURE

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Cost incurred	1,428,682	3,409,653

The Group, together with independent third parties, entered into agreements (“Agreements”) with the Beijing local government to jointly redevelop some lands in Beijing. The Group is responsible for the land development works, which included but is not limited to the removal of the existing buildings situated on the land, the relocation of the existing residents, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. Pursuant to the Agreements, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed returns irrespective of whether the Group will obtain the land use rights of the land in the future. At 31 December 2014, the cost incurred for the land development is HK\$1,428,682,000 (2013: HK\$3,409,653,000).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade receivables, aged				
0–30 days	5,580,310	1,568,853	–	–
31–90 days	205,101	124,518	–	–
Over 90 days	411,701	254,271	–	–
	6,197,112	1,947,642	–	–
Other receivables	1,474,166	483,336	8,888	21,257
	7,671,278	2,430,978	8,888	21,257

Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer.

The Group has insignificant trade receivable balances which are past due at the end of reporting period.

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

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

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

At 31 December 2014, except for the unsecured amount due from a joint venture of HK\$456,332,000 (2013: HK\$457,899,000) which carries interest at fixed rate of 7.32% (2013: 7.32%) per annum and repayable on demand, the remaining amounts due from joint ventures are unsecured, interest-free and repayable on demand.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 31. BANK BALANCES AND CASH

Included in bank balances and cash in the consolidated statement of financial position are restricted bank deposits of HK\$977,198,000 (2013: HK\$535,463,000) 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 6.00% (2013: 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Bank balances and cash denominated in:				
HK\$	1,341,755	3,983,075	120,081	3,500,872
US\$	6,360,140	6,292,389	2,112,233	6,058,639

### 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade payables, aged				
0–30 days	9,959,506	6,871,308	–	–
31–90 days	3,681,383	1,690,877	–	–
Over 90 days	9,440,604	4,315,527	–	–
	23,081,493	12,877,712	–	–
Other payables	2,527,977	2,852,189	48,224	43,064
Retentions payable	9,810,512	5,793,423	–	–
	35,419,982	21,523,324	48,224	43,064

Other payables mainly include other taxes payable and accrued charges.

Of the other payables and retentions payable, an amount of approximately HK\$2,195 million (2013: HK\$2,416 million) is due beyond twelve months from the end of the reporting period.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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. At the end of the reporting period, the Company had amounts due to subsidiaries of HK\$5,740,188,000 (2013: nil) denominated in HK\$.

### 35. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

At 31 December 2014, amounts due to non-controlling interests amounting to HK\$124,454,000 (2013: HK\$220,277,000) under current liabilities are unsecured and bear interest at fixed rate at 7.07% (2013: at a range from 7.07% to 8.64%) per annum. The remaining balances are unsecured and interest free. 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.

Amounts due to non-controlling interests of HK\$536,599,000 (2013: nil) and HK\$202,587,000 (2013: HK\$581,634,000) under non-current liabilities carry interest at fixed rate of 8.00% (2013: nil) per annum and are interest free respectively. 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			
	2014		2013	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Issued and fully paid				
At beginning of the year	8,172,616	817,262	8,172,519	817,252
Transfers from share premium and capital redemption reserve	–	18,814,988	–	–
Issue of shares upon exercise of share options	1,360	1,781	97	10
At end of the year	8,173,976	19,634,031	8,172,616	817,262

As at 31 December 2013, 10,000,000,000 ordinary shares, with par value of HK\$0.1 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap.622) that came into effect on 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par or nominal value. As a result, the amounts of share premium and capital redemption reserve of the Company are amalgamated with the share capital.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 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 purpose of the scheme is to provide incentives to directors of the Company and eligible employees to contribute further to the Company.

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 last lot of option granted under this Scheme and unexercised has lapsed after 17 June 2014.

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 2014

### 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 1)	Number of shares under options granted				Weighted average closing price of shares immediately before the date of exercise HK\$	
			Outstanding at 1 January 2014	Movements during the year Exercised	Lapsed	At 31 December 2014 Outstanding Exercisable		
18 June 2004	18 June 2005– 17 June 2014	1.118	2,718,668	(1,359,334)	(1,359,334)	–	–	20.43

Date of grant	Exercisable period	Adjusted exercise price per share HK\$ (Note 1)	Number of shares under options granted				Weighted average closing price of shares immediately before the date of exercise HK\$
			Outstanding at 1 January 2013	Movements during the year Exercised	At 31 December 2013 Outstanding	Exercisable	
18 June 2004	18 June 2005– 17 June 2014	1.118	2,815,763	(97,095)	2,718,668	2,718,668	22.73

Note 1: 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.

Note 2: Lapsed after 17 June 2014.

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 3)	Outstanding at 31 December
2013	1,359,334	(1,359,334)	–

Note 3: Reclassification is required due to the resignation of relevant director during the year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 37. RESERVES OF THE COMPANY

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>						
At 1 January 2013	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
Transfer on 3 March 2014 ( <i>Note 36</i> )	(18,796,190)	(18,798)	–	–	–	(18,814,988)
Profit and total comprehensive income for the year	–	–	–	(110,026)	4,048,084	3,938,058
Issue of shares upon exercise of share options	–	–	(262)	–	–	(262)
Share options expired	–	–	(238)	–	238	–
2013 final dividend paid	–	–	–	–	(2,370,453)	(2,370,453)
2014 interim dividend paid	–	–	–	–	(1,634,795)	(1,634,795)
<b>At 31 December 2014</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,859,016</b>	<b>4,023,716</b>	<b>5,882,732</b>

The Company's reserves available for distribution to shareholders at 31 December 2014 represents the retained profits of approximately HK\$4,024 million (2013: HK\$3,981 million).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 38. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Bank loan — secured	507,035	—	—	—
Bank loans — unsecured	45,847,796	40,011,491	34,191,059	31,247,818
	<b>46,354,831</b>	40,011,491	<b>34,191,059</b>	31,247,818

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
The bank loans are repayable as follows:				
Within one year	22,541,806	3,302,733	18,418,977	2,399,655
More than one year, but not exceeding two years	9,180,994	23,272,063	4,740,000	17,929,275
More than two years, but not exceeding five years	14,632,031	13,436,695	11,032,082	10,918,888
Total bank loans	46,354,831	40,011,491	34,191,059	31,247,818
Less: Amounts classified as current liabilities	(22,541,806)	(3,302,733)	(18,418,977)	(2,399,655)
Amounts classified as non-current liabilities	<b>23,813,025</b>	36,708,758	<b>15,772,082</b>	28,848,163

Borrowings of the Group and the Company with carrying amount of HK\$16,999,188,000 (2013: HK\$8,763,673,000) and HK\$4,835,416,000 (2013: nil) respectively bear interest at a range from 4.00% to 7.32% (2013: 6.15% to 6.77%) per annum and are denominated in Renminbi. Borrowing of the Group and the Company amounting to HK\$503,182,000 (2013: HK\$501,025,000), 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\$28,852,461,000 (2013: HK\$30,746,793,000), 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 3.65% (2013: 2.80%) and 2.56% (2013: 1.96%) respectively per annum.

Secured bank loan related to bank borrowing of a subsidiary of the Company which is secured by certain of its assets.

At 31 December 2014, the Group has bank loans of HK\$22,541,806,000 due in 2015. The Group has made early refinancing arrangements for the loans in the fourth quarter of 2014.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 39. GUARANTEED NOTES PAYABLE

As at 31 December 2014 and 2013, the Group issued below guarantee notes with similar terms and conditions and different features as follows:

Issue date	Principal amount (in million)	Issue price	Fixed interest rate payable semi-annually	Maturity date	Fair value as at 31 December 2014 (HK\$ million)	Carrying amount	
						2014 HK\$'000	2013 HK\$'000
10 November 2010 (approximately HK\$7,760)	US\$1,000	100%	5.5%	10 November 2020	8,430	7,705,635	7,699,380
15 February 2012 (approximately HK\$5,836)	US\$750	99.816%	4.875%	15 February 2017	6,107	5,799,559	5,792,568
15 November 2012 (approximately HK\$5,430)	US\$700	99.665%	3.95%	15 November 2022	5,297	5,373,913	5,368,510
15 November 2012 (approximately HK\$2,327)	US\$300	99.792%	5.35%	15 November 2042	2,235	2,301,970	2,301,616
29 October 2013 (approximately HK\$3,877)	US\$500	99.613%	3.375%	29 October 2018	3,924	3,850,421	3,844,119
29 October 2013 (approximately HK\$3,877)	US\$500	99.595%	5.375%	29 October 2023	4,140	3,845,478	3,842,790
29 October 2013 (approximately HK\$3,877)	US\$500	99.510%	6.375%	29 October 2043	4,175	3,839,549	3,839,105
8 May 2014 (approximately HK\$4,263)	US\$550	99.786%	4.25%	8 May 2019	4,414	4,236,018	–
8 May 2014 (approximately HK\$3,488)	US\$450	99.554%	5.95%	8 May 2024	3,860	3,456,368	–
11 June 2014 (approximately HK\$1,938)	US\$250	101.132%	4.25%	8 May 2019	2,006	1,948,450	–
11 June 2014 (approximately HK\$1,938)	US\$250	103.080%	5.95%	8 May 2024	2,144	1,985,135	–
11 June 2014 (approximately HK\$3,876)	US\$500	99.445%	6.45%	11 June 2034	4,254	3,834,946	–
						<b>48,177,442</b>	<b>32,688,088</b>

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 include, inter alia, the negative pledge given by the Company and the related subsidiaries. The fair values of the notes payable as at 31 December 2014 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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Fair value adjustment on properties <i>HK\$'000</i>	Undistributed earnings of PRC subsidiaries and joint ventures <i>HK\$'000</i>	Provision for LAT <i>HK\$'000</i>	Total <i>HK\$'000</i>
As 1 January 2013	45,021	2,617,516	–	368,854	(2,073,652)	957,739
Acquisition of subsidiaries ( <i>note 41</i> )	–	–	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
Charged/(credited) to profit or loss	1,052	1,315,843	(367,184)	(13,113)	(568,558)	368,040
Reclassification upon transfer from completed properties to investment properties	–	88,622	(88,622)	–	–	–
Exchange realignment	–	(10,162)	(2,519)	–	7,001	(5,680)
At 31 December 2014	49,399	4,979,884	72,115	388,285	(2,838,648)	2,651,035

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 40. DEFERRED TAX (continued)

#### Deferred tax liabilities/(assets) (continued)

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

	THE GROUP	
	31 December 2014 HK\$'000	31 December 2013 HK\$'000
Deferred tax assets	(2,838,648)	(2,277,091)
Deferred tax liabilities	5,489,683	4,565,766
	<b>2,651,035</b>	2,288,675

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$3,025 million (2013: HK\$2,053 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\$5,357 million (2013: HK\$5,310 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\$881 million (2013: HK\$815 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\$229 million (2013: HK\$234 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams and may be carried forward indefinitely.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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 for the year ended 31 December 2013.

The acquisition-related costs have been expensed off and are included in administrative expenses in the consolidated income statement for the year ended 31 December 2013.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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.

	<i>HK\$'000</i>
<b>Aggregate consideration transferred and fair value of previously held equity interest:</b>	
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
	<u>7,524,727</u>
	<b>Fair value on acquisition</b>
	<i>HK\$'000</i>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
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)
	<u>7,524,727</u>
<b>Net cash outflow arising on acquisition:</b>	
Cash consideration paid	(2,814,552)
Cash and cash equivalents acquired of	1,991,618
	<u>(822,934)</u>

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 ended 31 December 2013 would have been approximately HK\$82,469,081,000, and profit for the year ended 31 December 2013 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 interest in Ring Tide and Novel Wisdom immediately prior to acquisitions respectively.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 42. GOODWILL

	THE GROUP	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Carrying amounts	<b>109,021</b>	109,021

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

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\$30,657 million (2013: HK\$19,669 million) and approximately HK\$236 million (2013: HK\$15 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK\$1,185 million (2013: HK\$858 million), of which approximately HK\$1,162 million (2013: HK\$832 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	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	<b>1,137,568</b>	783,350
In the second to fifth year inclusive	<b>1,541,972</b>	1,152,685
After five years	<b>397,829</b>	89,074
	<b>3,077,369</b>	2,025,109

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	69,400	59,019	44,448	44,448
In the second to fifth year inclusive	57,120	78,471	15,691	60,139
After five years	1,091	1,838	–	–
	<b>127,611</b>	139,328	<b>60,139</b>	104,587

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	
	2014 HK\$'000	2013 HK\$'000
– Authorised but not contracted for	7,363,888	12,201,581
– Contracted but not provided for	1,459,993	1,609,712
	<b>8,823,881</b>	13,811,293

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 2014

### 45. CONTINGENT LIABILITIES

At the end of the reporting period, there were contingent liabilities as follows:

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

	THE GROUP		THE COMPANY	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Subsidiaries				
– Maximum	–	–	<b>10,189,504</b>	7,277,347
– Utilised	–	–	<b>10,189,504</b>	7,277,347
Joint ventures				
– Maximum	<b>1,646,597</b>	1,532,689	<b>1,311,953</b>	1,189,265
– Utilised	<b>1,646,597</b>	1,532,689	<b>1,311,953</b>	1,189,265

- (b) At 31 December 2014, the Group and the Company had counter indemnities accounting to approximately HK\$751 million (2013: HK\$32 million) and approximately HK\$714 million (2013: HK\$8 million) respectively for guarantees issued in respect of certain construction contracts and property management contracts undertaken by the Group and the Company.
- (c) The Group provided guarantees amounted to approximately HK\$17,404 million (2013: HK\$15,412 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.
- (d) As disclosed in note 39, the Company also provided guarantee amounted to approximately HK\$48,177 million (2013: HK\$32,688 million) in respect of the guaranteed notes issued by subsidiaries of the Company.

Other than the guarantees provided by the Company as mentioned in item (a) and (d), 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. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of a subsidiary of the Company with an aggregate carrying value of approximately HK\$640 million (2013: nil) have been pledged to secure its bank borrowings.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 47. 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	2014 HK\$'000	2013 HK\$'000
<b>Fellow subsidiaries</b>			
Property development project construction fee	(a)	2,288,425	2,961,034
Rental income	(b)	14,824	14,824
Insurance fee	(c)	1,215	1,048
Security income	(a)	17,163	20,558
Heating pipes connection service cost	(a)	71,577	156,740
Building design consultancy income	(c)	5,446	71,751
Management fees income	(c)	100,000	–
Interest expense	(g)	19,352	–
<b>Associates</b>			
Royalty income	(e)	138,223	100,000
Rental expense	(b)	16,545	15,628
Property management income	(f)	–	455
<b>Joint ventures</b>			
Interest income	(d)	80,085	121,065
Property development project construction income	(c)	14,342	144,028

#### 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, management fees 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 notes 23 and 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.
- (g) The loan carries interest at 5.04% per annum. This loan is a connected transaction which fulfils certain requirements contained in Rule 14A.90 of the Listing Rules. It is exempt from any disclosure or other obligations under Chapter 14A of the Listing Rules.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 47. RELATED PARTY TRANSACTIONS (continued)

- (b) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Short-term benefits	133,524	129,763
Mandatory Provident Fund contribution	286	185
	<b>133,810</b>	129,948

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

	2014 <i>Number of person</i>	2013 <i>Number of person</i>
Below HK\$1,000,000	1	2
HK\$1,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$5,000,000	3	1
HK\$5,000,001 to HK\$7,500,000	3	3
HK\$7,500,001 to HK\$10,000,000	5	5
HK\$10,000,001 to HK\$12,500,000	1	1
	<b>13</b>	12

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.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 47. RELATED PARTY TRANSACTIONS (continued)

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

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.

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.

### 48. EVENT AFTER THE REPORTING PERIOD

On 24 March 2015, Alpha Progress Global Limited (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement to acquire the entire issued share capital of Celestial Domain Investments Limited and its subsidiaries (the "Target Group") from King Praise Limited (a wholly owned subsidiary of COHL) (the "Acquisition"). The Target Group is engaged in property development and investment and their respective underlying property projects located in Beijing, Shanghai, Tianjin, Chongqing, Suzhou, Chengdu, Xi'an, Urumqi, Changsha, Weifang, Zibo in the PRC and London in the United Kingdom. The consideration of the Acquisition is RMB1.82 billion (equivalent to HK\$2.31 billion). In addition, Alpha Progress Global Limited will also assume shareholder loans of approximately RMB31.99 billion (equivalent to HK\$40.50 billion) owing by the Target Group to China State Construction Engineering Corporation Limited (the intermediate holding company of the Company) and its subsidiaries upon completion of the Acquisition.

On the same day, in connection with the Acquisition and to replenish the capital resources and support future property development business of the Group and the Target Group after completion of the Acquisition, COHL entered into a share subscription agreement to subscribe for 1,686,605,875 ordinary shares of the Company at a consideration of HK\$42.81 billion (the "Share Subscription").

Please refer to the announcement of the Company dated 24 March 2015 for further information of the Acquisition and Share Subscription.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2014 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 issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
Ace Dragon Development Limited	1 share of HK\$1	–	100	Property development
Advocate Properties Limited	100,000 shares of HK\$1 each	–	100	Investment holding
Allways Success Development Limited	100,000 shares of HK\$1 each	–	100	Property investment
China Overseas Building Management Limited	100 shares of HK\$1 each	–	100	Real estate management
China Overseas Finance (Cayman) II Limited <sup>(vi)</sup>	1 share of US\$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) III Limited <sup>(vi)</sup>	1 share of US\$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) IV Limited <sup>(vi)</sup>	1 share of US\$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) V Limited <sup>(vi)</sup>	1 share of US\$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VI Limited <sup>(vi)</sup>	1 share of US\$1	100	–	Issuance of guaranteed notes
China Overseas Property Agency Limited	2 shares of HK\$1 each	–	100	Real estate agency
China Overseas Property Limited	100 shares of HK\$10 each	100	–	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK\$1 each	–	100	Investment holding

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
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 <sup>(i)</sup>	1 share of US\$1	100	–	Investment holding
China Overseas Security Services Limited	2 shares of HK\$1 each	–	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK\$10 each	–	100	Investment holding
China Super Group Limited <sup>(i)</sup>	1 share of US\$1	–	100	Investment holding
Chinatone Industrial Limited	1 share of HK\$1	–	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK\$10 each	100	–	Loan financing, investment holding and security investments
Classic China Products Limited	10,000 shares of HK\$100 each	–	100	Investment holding
Elite Way International Development Limited	1,000,000 shares of HK\$1 each	–	100	Property development
Entrepot Limited	100 shares of HK\$1 each	–	100	Property development
Further Good Development Limited	100 shares of HK\$1 each	–	100	Property development
Grand Shine Development Limited	1 share of HK\$1	100	–	Investment holding
Gain Direct Limited <sup>(i)</sup>	1 share of US\$1	–	100	Investment holding
Gain Regent Company Limited	2 shares of HK\$1 each	–	100	Property development

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
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
Goodrich Company Limited <sup>(vii)</sup>	MOP25,000	–	100	Property development
Great Sky Property Investment Company Limited <sup>(vii)</sup>	MOP25,000	–	100	Property development
Great Trend Investment Limited	10,000 shares of HK\$1 each	–	100	Investment holding
Hainan Ruler Limited <sup>(i)</sup>	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 <sup>(vii)</sup>	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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
Ocean Group Limited	2 shares of HK\$1 each	–	100	Property investment
Omar Property Development Company Limited <sup>(vii)</sup>	MOP26,000	–	85	Property development
On Success Development Limited	10,000 shares of HK\$1 each	–	100	Property investment
Peak Top Enterprises Limited <sup>(i)</sup>	1 share of US\$1	–	100	Investment holding
Proud Sea International Limited <sup>(i)</sup>	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 <sup>(i)</sup>	1 share of US\$1	–	100	Investment holding
Splendid Return Limited <sup>(i)</sup>	50,000 shares of US\$1 each	–	100	Investment holding
Total Wonder Limited <sup>(i)</sup>	1 share of US\$1	–	100	Investment holding
Treasure Trinity Limited <sup>(i)</sup>	1 share of US\$1	–	100	Investment holding
Wealth Join Development Limited	1 share of HK\$1	–	100	Property development
Widenews Company Limited (“Widenews”)	2 shares of HK\$1 each <sup>(iii)</sup>	–	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 <sup>(ii)</sup>	US\$17,000,000	–	100	Property development and trading

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
中海地產諮詢（上海）有限公司 <sup>(iii)</sup>	US\$500,000	–	100	Real estate agency and investment holding
上海萬和房地產有限公司 <sup>(iv)</sup>	US\$43,340,000	–	95	Property development
上海新海匯房產有限公司 <sup>(iv)</sup>	US\$40,000,000	–	99.5	Property development
上海錦港房地產發展有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
上海中海海怡房地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
上海中海海富房地產有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
上海中海海容房地產有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
大連中海地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
大連中海興業房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
中海東豐地產（大連）有限公司 <sup>(iii)</sup>	RMB880,000,000	–	100	Property development
中海新海匯（大連）置業有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
大連中海新城置業有限公司 <sup>(v)</sup>	RMB378,520,000	–	100	Property development
中山市中海房地產開發有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
中海興業（西安）有限公司 <sup>(iii)</sup>	US\$60,000,000	–	100	Property development
中海鼎盛（西安）房地產有限公司 <sup>(iii)</sup>	RMB2,000,000,000	–	100	Property development
中海鼎業（西安）房地產有限公司 <sup>(iii)</sup>	RMB1,570,500,000	–	100	Property development
西安中海振興房地產開發有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
中海發展（蘇州）有限公司 <sup>(iii)</sup>	US\$50,000,000	–	100	Property development
中海地產（蘇州）有限公司 <sup>(iii)</sup>	US\$50,000,000	–	100	Property development
中海英奧置業（蘇州）有限公司 <sup>(ii)</sup>	US\$99,000,000	–	100	Property development

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
中海海盛（蘇州）房地產有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
中海海通（蘇州）房地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
中海海潤（蘇州）房地產有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
中海海納（蘇州）房地產有限公司 <sup>(v)</sup>	RMB445,000,000	–	100	Property development
中海興業（寧波）有限公司 <sup>(iii)</sup>	US\$33,000,000	–	100	Property development
寧波中海創城有限公司 <sup>(v)</sup>	RMB1,800,000,000	–	100	Property development
寧波中海海興置業有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
寧波中海海尚置業有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
天津中海嘉業投資有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
天津中海地產有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
天津中海海盛地產有限公司 <sup>(v)</sup>	RMB2,750,000,000	–	100	Property development
北京中海地產有限公司 <sup>(v)</sup>	RMB50,000,000	–	100	Property development
北京中海豪庭房地產開發有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
北京中海廣場置業有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
北京中海海洋花園房地產開發有限公司 <sup>(iv)</sup>	US\$11,920,000	–	72	Property development
北京嘉益德房地產開發有限公司 <sup>(v)</sup>	RMB50,000,000	–	100	Property development
北京古城興業置業有限公司 <sup>(v)</sup>	RMB50,000,000	–	70	Property development
北京中海豪景房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
北京鑫景通達置業有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
北京世紀順龍房地產開發有限公司 <sup>(v)</sup>	RMB30,000,000	–	51	Property development
北京中海金石房地產開發有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
北京中海新城置業有限公司 <sup>(v)</sup>	RMB100,000,000	–	100	Property development
中海興業（成都）發展有限公司 <sup>(ii)</sup>	US\$99,000,000	–	100	Property development
中海信和（成都）物業發展有限公司 <sup>(ii)</sup>	HK\$420,000,000	–	80	Property development
中海振興（成都）物業發展有限公司 <sup>(ii)</sup>	US\$89,800,000	–	100	Property development
成都中海鼎盛房地產開發有限公司 <sup>(v)</sup>	RMB50,000,000	–	100	Property development
鉅星（成都）商務服務有限公司 <sup>(ii)</sup>	RMB68,000,000	–	100	Property development
中海嘉泓（成都）房地產開發 有限公司 <sup>(ii)</sup>	RMB250,000,000	–	100	Property development
中海地產（佛山）有限公司 <sup>(ii)</sup>	RMB1,100,000,000	–	100	Property development
佛山市中海興業房地產開發有限公司 <sup>(ii)</sup>	US\$50,000,000	–	100	Property development
佛山中海千燈湖房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
佛山中海環宇城房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
佛山中海嘉益房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
瀋陽中海興業房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
瀋陽中海新海匯置業有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
中海地產（瀋陽）有限公司 <sup>(v)</sup>	US\$199,600,000	–	100	Property development
瀋陽中海嘉業房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
瀋陽中海鼎業房地產開發有限公司 <sup>(ii)</sup>	US\$290,000,000	–	100	Property development
杭州中海房地產有限公司 <sup>(ii)</sup>	US\$99,800,000	100	–	Property development
中海發展（杭州）有限公司 <sup>(ii)</sup>	US\$49,800,000	–	100	Property development
中海地產（杭州）有限公司 <sup>(iv)</sup>	US\$99,800,000	74.5	25.5	Property development
杭州中海宏觀房地產有限公司 <sup>(v)</sup>	RMB500,000,000	–	100	Property development

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
杭州中海城溪房地產有限公司 <sup>(ii)</sup>	RMB913,000,000	–	100	Property development
長沙中海興業房地產有限公司 <sup>(ii)</sup>	RMB662,000,000	–	100	Property development
長春中海地產有限公司 <sup>(iv)</sup>	RMB100,000,000	–	100	Property development
長春海華房地產開發有限公司 <sup>(ii)</sup>	US\$49,800,000	–	100	Property development
長春海悅房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
長春海成房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
青島中海鼎業房地產有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
青島中海嘉業房地產有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
青島中海華業房地產有限公司 <sup>(ii)</sup>	RMB3,130,000,000	–	100	Property development
中海地產（青島）投資開發有限公司 <sup>(v)</sup>	US\$259,800,000	–	100	Property development
青島中海盛興房地產有限公司 <sup>(v)</sup>	RMB100,000,000	–	100	Property development
青島中海海灣置業有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
南京中海地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
南京海潤房地產開發有限公司 <sup>(iv)</sup>	US\$50,000,000	–	100	Property development
南京中海海浦房地產有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
南昌中海地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
南京海麒房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
南京中海滿高房地產開發有限公司 <sup>(ii)</sup>	RMB315,000,000	–	100	Property development
中海地產重慶有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
重慶中工建設有限公司 <sup>(v)</sup>	RMB50,000,000	–	100	Property development
香港華藝設計顧問（深圳）有限公司 <sup>(ii)</sup>	RMB12,000,000	–	100	Design consultancy services

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
北京中海華藝城市規劃設計有限公司 <sup>(v)</sup>	RMB1,000,000	–	90	Design consultancy services
中海地產（珠海）有限公司 <sup>(ii)</sup>	RMB405,000,000	–	100	Property development
珠海市嘉業房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
珠海市永福通房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
廣逸房地產開發（珠海）有限公司 <sup>(iv)</sup>	HK\$1,200,000,000	–	100	Property development
珠海市海利達諮詢服務有限公司 <sup>(v)</sup>	RMB100,000	–	100	Property development
珠海市啟光諮詢服務有限公司 <sup>(v)</sup>	RMB100,000	–	100	Property development
珠海經濟特區卓運房產有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
中海地產集團有限公司 <sup>(ii)</sup>	RMB10,000,000,000	–	100	Property development, trading and investment and investment holding
深圳中海地產有限公司 <sup>(iv)</sup>	HK\$50,000,000	–	100	Property development
深圳市中海海景山莊物業發展有限公司 <sup>(v)</sup>	RMB10,000,000	–	60	Property development
深圳市中海日輝台物業發展有限公司 <sup>(v)</sup>	RMB41,791,108	–	100	Property development
中海寶松物業發展（深圳）有限公司 <sup>(ii)</sup>	HK\$262,500,000	–	100	Property development
深圳市龍富房地產開發有限公司 <sup>(v)</sup>	RMB150,000,000	–	100	Property development
深圳市中海凱驪酒店有限公司 (formerly known as 深圳市中海聖廷苑酒店有限公司) <sup>(v)</sup>	RMB5,000,000	–	100	Hotel management
中海地產商業發展（深圳）有限公司 <sup>(ii)</sup>	RMB20,000,000	–	100	Commercial project investment consultancy services
中海地產營銷管理（深圳）有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Real estate agency
中海地產工程管理（深圳）有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Real estate project management
廈門中海地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
廈門海合美地產有限公司 <sup>(v)</sup>	RMB10,000,000	–	51	Property development
昆明中海房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
昆明泰運房地產開發有限公司 <sup>(ii)</sup>	HK\$570,297,000	–	100	Property development

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
雲南中海城投房地產開發有限公司 <sup>(v)</sup>	RMB10,000,000	–	65	Property development
煙臺中海地產有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
中海鼎業（煙臺）地產有限公司 <sup>(ii)</sup>	RMB300,000,000	–	100	Property development
煙臺中海興業地產有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
中海發展（廣州）有限公司 <sup>(ii)</sup>	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 <sup>(ii)</sup>	RMB400,000,000	–	100	Property development
廣州中海地產有限公司 <sup>(v)</sup>	RMB100,000,000	–	100	Property development
廣州瑾熙房地產投資諮詢有限公司 <sup>(ii)</sup>	RMB1,000,000	–	100	Property development
廣州廣奧房地產發展有限公司 <sup>(v)</sup>	RMB10,000,000	–	100	Property development
廣州毅源房地產開發有限公司 <sup>(v)</sup>	RMB10,000,000	–	90	Property development
廣州世佳房地產開發有限公司 <sup>(v)</sup>	RMB10,000,000	–	90	Property development
廣州荔安房地產開發有限公司 <sup>(v)</sup>	RMB2,800,000,000	–	100	Property development
廣州荔駿房地產開發有限公司 <sup>(v)</sup>	RMB2,800,000,000	–	100	Property development
廣州荔旭房地產開發有限公司 <sup>(v)</sup>	RMB1,300,000,000	–	100	Property development
廣州荔璟房地產開發有限公司 <sup>(v)</sup>	RMB1,350,000,000	–	100	Property development
濟南中海地產有限公司 <sup>(ii)</sup>	US\$98,000,000	–	100	Property development
濟南中海地產投資有限公司 <sup>(v)</sup>	RMB50,000,000	–	100	Property development
濟南中海興業房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
濟南中海城房地產開發有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
哈爾濱中海地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development

## Notes to the Financial Statements (continued)

For the year ended 31 December 2014

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
哈爾濱中海龍祥房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
中海興業武漢房地產有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
太原冠澤置業有限公司 <sup>(v)</sup>	RMB200,000,000	–	95	Property development
福州中海地產有限公司 <sup>(v)</sup>	RMB30,000,000	–	100	Property development
無錫中海太湖新地置業有限公司 <sup>(v)</sup>	RMB20,000,000	–	51	Property development
無錫中海海潤置業有限公司 <sup>(v)</sup>	RMB20,000,000	–	51	Property development
鄭州海創房地產開發有限公司 <sup>(v)</sup>	RMB20,000,000	–	100	Property development
上海中海物業管理有限公司 <sup>(iii)</sup>	US\$610,000	–	100	Real estate management
深圳市中海電梯工程有限公司 <sup>(v)</sup>	RMB5,000,000	–	100	Real estate management
深圳市中海樓宇科技有限公司 <sup>(v)</sup>	RMB5,000,000	–	100	Real estate management
深圳市中海社區環境工程有限公司 <sup>(v)</sup>	RMB2,000,000	–	100	Real estate management
北京中海物業管理有限公司 <sup>(v)</sup>	RMB5,000,000	–	100	Real estate management
成都中海物業管理有限公司 <sup>(v)</sup>	RMB3,000,000	–	100	Real estate management
長春中海物業管理有限公司 <sup>(v)</sup>	RMB1,000,000	–	100	Real estate management
中海物業管理廣州有限公司 <sup>(v)</sup>	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, China Overseas Finance (Cayman) V Limited and China Overseas Finance (Cayman) VI Limited, which have issued US\$1,000,000,000, US\$1,500,000,000, US\$750,000,000, US\$1,000,000,000 and US\$2,000,000,000 guaranteed notes payable (note 39), respectively.

# Five Year Financial Summary

For the year ended 31 December 2014

## (A) CONSOLIDATED RESULTS

	For the year ended 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
<b>Turnover</b>	46,650,024	51,332,302	64,580,694	82,469,081	<b>119,996,980</b>
Operating profit	18,913,841	23,388,338	27,070,329	28,347,553	<b>42,413,993</b>
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					
Associates	17,750	202,838	339,515	838,117	<b>499,035</b>
Joint ventures	317,196	719,260	2,297,976	2,935,195	<b>1,099,877</b>
Finance costs	(461,264)	(590,763)	(285,602)	(290,363)	<b>(345,544)</b>
Profit before tax	20,567,244	23,765,301	29,422,218	33,288,678	<b>43,667,361</b>
Income tax expenses	(7,599,724)	(8,207,115)	(10,589,747)	(10,109,752)	<b>(15,462,002)</b>
Profit for the year	12,967,520	15,558,186	18,832,471	23,178,926	<b>28,205,359</b>
Attributable to:					
Owners of the Company	12,671,244	15,464,098	18,722,221	23,043,712	<b>27,680,160</b>
Non-controlling interests	296,276	94,088	110,250	135,214	<b>525,199</b>
	12,967,520	15,558,186	18,832,471	23,178,926	<b>28,205,359</b>

## Five Year Financial Summary (continued)

For the year ended 31 December 2014

### (B) CONSOLIDATED NET ASSETS

	At 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
<b>Non-current assets</b>					
Investment properties	14,053,675	17,765,372	23,657,327	32,531,661	44,754,783
Property, plant and equipment	319,388	337,635	975,862	1,371,196	1,354,826
Prepaid lease payments for land	35,984	68,591	161,996	156,373	147,564
Interests in associates	210,497	3,340,454	3,612,633	4,496,092	4,891,040
Interests in joint ventures	11,323,863	12,668,593	13,579,848	11,434,403	10,836,232
Investments in syndicated property project companies	22,867	22,776	18,369	18,907	20,873
Amounts due from associates	42,156	88,793	–	–	–
Amounts due from joint ventures	8,981,367	11,727,717	5,317,039	2,843,910	1,895,513
Amounts due from syndicated property project companies	154	–	–	–	–
Other financial assets	23,726	17,417	51,436	68,179	67,249
Goodwill	109,021	109,021	109,021	109,021	109,021
Other intangible asset	39,870	–	–	–	–
Deferred tax assets	1,190,537	1,844,924	2,073,652	2,277,091	2,838,648
	36,353,105	47,991,293	49,557,183	55,306,833	66,915,749
<b>Current assets</b>	125,895,296	127,984,130	180,267,505	241,215,637	284,021,307
<b>Total assets</b>	162,248,401	175,975,423	229,824,688	296,522,470	350,937,056
<b>Non-current liabilities</b>					
Bank borrowings — due after one year	(24,305,704)	(25,113,861)	(32,095,339)	(36,708,758)	(23,813,025)
Guaranteed notes payable	(10,018,179)	(7,689,578)	(21,147,701)	(32,688,088)	(48,177,442)
Amounts due to non-controlling interests	(791,904)	(1,055,226)	(2,017,849)	(581,634)	(739,186)
Derivative financial liability	(1,187,323)	–	–	–	–
Deferred tax liabilities	(5,776,484)	(2,297,578)	(3,031,391)	(4,565,766)	(5,489,683)
	(42,079,594)	(36,156,243)	(58,292,280)	(74,544,246)	(78,219,336)
<b>Current liabilities</b>	(61,398,357)	(67,929,182)	(83,975,452)	(110,927,828)	(135,910,025)
<b>Total liabilities</b>	(103,477,951)	(104,085,425)	(142,267,732)	(185,472,074)	(214,129,361)
<b>Net assets</b>	58,770,450	71,889,998	87,556,956	111,050,396	136,807,695
<b>Equity attributable to:</b>					
Owners of the Company	55,563,199	71,616,983	87,244,139	109,970,583	133,333,583
Non-controlling interests	3,207,251	273,015	312,817	1,079,813	3,474,112
	58,770,450	71,889,998	87,556,956	110,050,396	136,807,695

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