中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.
Stock Code: 00081

Annual Report 2014

Robust Prosperity on Solid Foundation

CHINA OVERSEAS

GRAND OCEANS GROUP LTD.

CONTENTS

FOUNDATION

The Group's vision fully embraces the government's urbanization policy, with a firm commitment to become a high-growth star property developer of the highest potential in the PRC residential property market. With good customer satisfaction and company goodwill, the Group will continue to focus primarily in the emerging third-tier cities with best investment value and growth potentials, and positioning at the middle to high-end product ranges.

CORPORATE AND SHAREHOLDERS' INFORMATION

CORPORATE INFORMATION

Registered Office

Unit 6703, Level 67, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

Telephone	:	(852) 2988 0600
Facsimile	:	(852) 2988 0606
Website	:	www.cogogl.com.hk

COMPANY SECRETARY

Chong Wai Sang, Edmond

REGISTRAR

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

LEGAL ADVISOR

Mayer • Brown JSM

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

(In Alphabetical Order)

Agriculture Bank of China Ltd., Hong Kong Branch
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Bank of Shanghai Co. Ltd.
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch

STOCK CODE

Shares

Stock Exchange	:	00081
Bloomberg	:	81: HK
Reuters	:	0081.HK

SHAREHOLDERS' INFORMATION

Share Listing

The Company's shares are listed on the Stock Exchange.

Ordinary Shares (as at 31 December 2014)

Shares outstanding	2,282,239,894 shares

INVESTOR RELATIONS

Corporate Communications Department

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

PUBLIC RELATIONS

Corporate Communications Department

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

FINANCIAL CALENDAR

2014 annual results announcement	23 March 2015
Book closure period for annual general meeting	1–2 June 2015 (both days inclusive)
Annual general meeting	2 June 2015
Book closure period for final dividend	8 June 2015
Payment of final dividend	on or about 8 July 2015
Financial year end	31 December 2015

BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES

HONOURABLE CHAIRMAN
Kong Qingping#

CHAIRMAN AND NON-EXECUTIVE DIRECTOR
Hao Jian Min

EXECUTIVE DIRECTORS

Zhang Guiqing	*Chief Executive Officer* (appointed on 17 December 2014)
Chen Bin	(resigned on 17 December 2014)
Xiang Hong	
Wang Man Kwan, Paul	
Yang Hai Song	

NON-EXECUTIVE DIRECTOR
Yung Kwok Kee, Billy *Vice Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

AUTHORIZED REPRESENTATIVES

Hao Jian Min	
Zhang Guiqing	
Xiang Hong	*(Alternate Authorized Representative to Hao Jian Min)*
Wang Man Kwan, Paul	*(Alternate Authorized Representative to Zhang Guiqing)*

AUDIT COMMITTEE
Chung Shui Ming, Timpson*
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

REMUNERATION COMMITTEE
Lam Kin Fung, Jeffrey*
Hao Jian Min
Yung Kwok Kee, Billy
Chung Shui Ming, Timpson
Lo Yiu Ching, Dantes

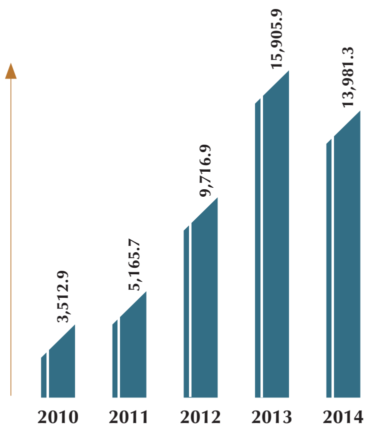
NOMINATION COMMITTEE
Hao Jian Min*
Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

not a director of the Company
* *Committee Chairman*

FINANCIAL HIGHLIGHTS

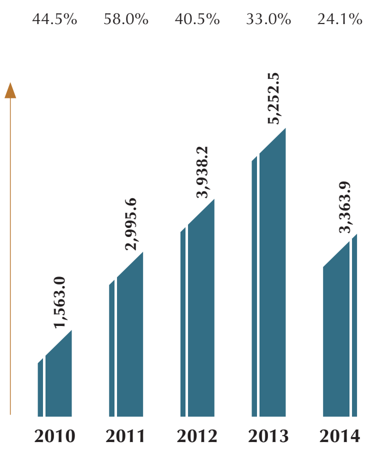
For the year ended 31 December	2014	2013	Change
Key Profit and Loss Items *(HK$ Million)*			
Revenue	13,981.3	15,905.9	-12.1%
Gross profit	3,363.9	5,252.5	-36.0%
Gross margin	24.1%	33.0%	-8.9%
Profit attributable to owners of the Company	1,267.4	3,136.0	-59.6%
Net margin	9.1%	19.7%	-10.6%
As at 31 December	**2014**	**2013**	**Change**
Key Statement of Financial Position Items *(HK$ Million)*			
Inventories of properties	34,010.6	23,204.3	46.6%
Sales deposits received	8,978.0	6,476.6	38.6%
Cash reserves	11,409.8	9,268.8	23.1%
Total borrowings	20,546.6	14,674.5	40.0%
Net debts	9,136.8	5,405.7	69.0%
Equity attributable to owners of the Company	12,301.3	11,304.8	8.8%
Net gearing	74.3%	47.8%	26.5%
Financial Year	**2014**	**2013**	**Change**
Return to Shareholders			
Return on equity	10.7%	32.5%	-21.8%
Earnings per share *(HK cents)*	55.5	137.4	-59.6%
Dividends per share *(HK cents)*	5	11	-54.5%

Revenue
(HK$ Million)



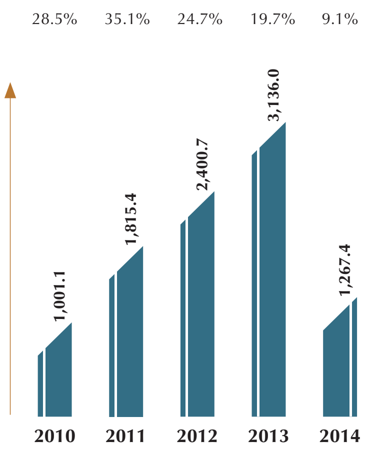
Gross Profit
(HK$ Million)

Gross Margin:



Profit Attributable to Owners of the Company
(HK$ Million)

Net Margin:



Note: Formula of certain financial information as set out above are presented on page 144 for easy reference.

EXPANDING

As the Group's strategy is to expand into emerging third-tier cities in the PRC, it succeeded in entering into Shantou, Guangdong Province during the year. The Group operated in over 15 cities (including Beijing) with 27 projects under property development.

Ganzhou - International Community

Nanning - The Green Peak

CHAIRMAN'S STATEMENT

The Group has aligned its business segments progressively with focus on those third-tier cities having stronger sustainability in the economic growth.

For the year ended 31 December 2014, Group's turnover amounted to approximately HK$14.0 billion, while profit attributable to the equity shareholders of the Company was about HK$1.3 billion.

The Group fully achieved its revised sales target for the year with contracted property sales of HK$18.1 billion, which corresponded to an aggregated sold area of 1.85 million square meters.

Mr. Hao Jian Min
Chairman and Non-executive Director

INTRODUCTION

I am pleased to present the annual results of the Group for the year ended 31 December 2014.

The Group has aligned its business segments progressively with focus on those third-tier cities having stronger sustainability in the economic growth. However, in the light of structural reforms currently carried out in the PRC, macroscopic economic adjustments started to impact across the board while volatility in the China property market was apparent. The Group reacted with adapted market strategies to stimulate sales and streamline property stock to enhance the risk management capabilities and safeguard a healthy financial position as a sustainable entity.

For the year ended 31 December 2014, Group's turnover reduced by 12.1% to HK$13,981.3 million comparing with last year, while profit attributable to the equity shareholders of the Company decreased by 59.6% to HK$1,267.4 million. Basic earnings per share was HK55.5 cents (2013: HK137.4 cents per share).

Nevertheless, the Group fully achieved its revised sales target for the year with contracted property sales of HK$18,060.1 million (2013: HK$17,218.0 million), which corresponded to an aggregated sold area of 1,849,800 square meter ("sq.m.") (2013: 1,638,373 sq.m.). Besides, the balance of preliminary sales at the year-end pending the completion of formal sales and purchase agreements in the pipeline was HK$1,023.0 million for an aggregated area of 69,900 sq.m..

The Group has refined the corporate strategic development plan to align with the national pace in the year, during which, the Group extended its business to Shantou, Guangdong Province, while acquired four parcels of land in Lanzhou, Shantou, Yangzhou and Nanning with total development area of approximately 2,703,000 sq.m.. As at 31 December 2014, the Group has maintained a land bank of 12,071,200 sq.m. over 15 cities (includes Beijing) with 27 projects under property development.

In January 2014, the Group has further enlarged its source of fund from the world-wide capital market after successfully issued a 5-year US$400 Million Guaranteed Notes. This has not only strengthened the funding capability of the Group to propel its business plan, but also laid down a more solid foundation of the strategic framework.

PROPOSED FINAL DIVIDEND

After reviewing the result performance for the year and the Group's future expansion of its business, the Board recommended the payment of a final dividend of HK1.0 cent per share (2013: HK6.0 cents per share) for the year ended 31 December 2014. Together with the interim dividend of HK4.0 cents per share (2013: HK5.0 cents per share) paid in October 2014, total dividends will amount to HK5.0 cents per share (2013: HK11.0 cents per share) for the year.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting 2015 (the "AGM").

PROSPECTS

The Economy

As the United States concluded its asset purchase program in October 2014 with signs of economic recovery, 2015 simply commenced with mists of uncertainty. European Central Bank announced its long-anticipated and unprecedented QE stimulus program in January, following similar expansionary actions taken by US, Britain and Japan in previous years. While the effectiveness to rescue the recessionary economy in the EU zone is yet to be known, there would be invariably spillover effects over cross countries exchange rates, interest rates and asset prices, filtered through the international monetary network.

In contrast, GDP growth rate stayed vivid at 7.4% in China for the year as the world's second largest economy when structural and economic reforms embarked early in the year, driven by stronger growth rate in the tertiary industry with improved employment rate in the cities. Despite that there were certain short term impacts on the economy

CHAIRMAN'S STATEMENT *(CONTINUED)*

PROSPECTS (CONTINUED)

The Economy (Continued)

especially the property market in PRC, timely, tailored and effective government measures have been taken to fend off significant financial and system risk with adequate liquidity. This probably reflects that the reforms have followed the right track in enhancing its economic value-added in the long term, under the national pro-active fiscal policy and prudent monetary policy.

As Premier Li Keqiang said in Davos 2015 World Economic Forum in last January, China has determined to migrate to a new stage of development from low-to-medium level to medium-to-high level, at the expense of adjusting the gear of economic growth to medium-to-high speed. Such structural reforms aiming at promoting both the quality and efficiency of a sustainable economic development in the long run would provide fixing to ease and adjust the current tension as well as imbalance between supply and demand, channel better flow and utilization of resources and, reduce negative impact to the environment. China is entering into a more advanced stage of development with more sophisticated division of labour and a more optimized structure. The healthy economic development in China would lead to higher productivity, income level per capita and living standard of people in the long term under a more regulated framework.

Real Estate Development

Further to the Central Government's first high-level urbanization work conference held to introduce a new type of urbanization scheme in December 2013, the "National New-type Urbanization Plan (2014–2020)" was formally announced in March 2014 purported to increase the target urbanization rate for permanent urban residents to reach 60% from the existing 53.7%. That represents an approximation of migrating 17 million citizens from the rural areas to the urbanized cities per annum in the next few years to 2020, and would be a significant generation of core demand for housing needs in the cities. Such urbanization scheme has been an essential element in the underlying structural and economic reforms, intending to boost national per capita income and living standard in the long run through raising national employment and productivity.

Affected by the macroscopic government policies and microscopic market conditions, both risk and opportunities came into play in the property market. Town urbanization and demographic dividend would lead to a healthy development of core demand in the property market, and promote some of the needs for improvement of housing accommodation. However, it is important to monitor the market risks pro-actively and strike a balance between the distribution of housing units and the product structure.

With market adjustments started to cause its impact and effects to re-balance the supply and demand dynamics, there were signs that government interference commenced to fade out with gradual removal of macroscopic measures like purchase restriction. Going forward, the market at equilibrium would mean to establish a healthier, sustainable and affordable property market for the general public.

Changzhou - The Phoenix

Yangzhou - Jade Garden

Yinchuan - International Community

Lanzhou - Glorioushire

PROSPECTS (CONTINUED)

Group Strategy

The Group's vision fully embraces the government's urbanization policy, with a firm commitment to become a high-growth star property developer of the highest potential in the PRC residential property market. With good customer satisfaction and company goodwill, the Group will continue to focus primarily in the emerging third-tier cities with best investment value and growth potentials, and positioning at the middle to high-end product ranges.

During the past few years, the Group has successfully well placed itself to benefit from the ongoing infrastructure investment and the rapid industrialization and urbanization of various inland cities in the PRC, as urbanization and economic growth have been the main drivers of the growth in housing demand in China.

The Group is dedicated to enlarge the operating scale and speed up the pace of development in an orderly manner, so as to increase the marginal cost efficiency. It is of paramount importance that the Group would be able to build up and maintain a sizable quantum of quality land bank at competitive prices, for which the Group would stay steadfastly on track to carry out its strategy plans at appropriate gearing structure.

With standardized management systems, the Group would continue to streamline its operating processes and safeguard the internal controls. Leveraged with more mature understanding of the operation environment and challenges in the third-tier cities, the enhanced management capabilities of the professional teams would be able to optimize the project development cycle. To cope with the changing market environment, the Group continued to evolve new marketing methodologies, speed up sales programs and promote the sell-through rate of the inventory.

The Group would maintain a professional and prudent financial management of the financial resources and closely monitor the impacts from the external economic environment and national policy changes to the business operations.

APPRECIATION

Human resources are amongst the essences to the success of any business. I would like to take this opportunity to express my heartfelt thanks to my fellow directors and our staff for their dedicated efforts and contributions to the Group for the year, as well as the continued supports rendered by our shareholders.

By order of the Board
China Overseas Grand Oceans Group Limited
Hao Jian Min
Chairman and Non-executive Director

Nanning - International Community

PLANNING

The Group is dedicated to enlarge the operating scale and speed up the pace of development in an orderly manner, so as to increase the marginal cost efficiency. To cope with the changing market environment, the Group continued to evolve new marketing methodologies, enhance sales programs and promote the sell-through rate of the inventory.

Yangzhou – The Grand Canal

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND OPERATING RESULTS

Due to disturbance in the China property market while the Group continued to scale down its property development activities in Beijing and with business alignment in third-tier cities, the Group recorded a 12.1% reduction in revenue to HK$13,981.3 million for the year ended 31 December 2014 against last year. Contribution of property sales from third-tier cities had became the key driver of business and represented 97.0% (2013: 78.7%) of the turnover. Gross profit and margin were HK$3,363.9 million and 24.1% respectively for the year, comparing with HK$5,252.5 million and 33.0% respectively in last year, reflecting the underlying intrinsic in third-tier cities, that was a lucrative vast market.

Coupled with absence in significant fair value gains of investment properties in the year (2013: HK$475.6 million), operating profit lowered by 47.8% to HK$2,687.1 million against last year. With increase in marketing activities to boost property sales and higher marginal cost for royalty payable upon renewal of trademark license in the year, distribution and selling expenses increased slightly by 0.8% to 2.4% per revenue dollar. On the other hand, administration expenses increased mildly by 6.7% or HK$28.0 million against last year.

Finance costs increased by HK$2.8 million to HK$22.3 million year on year, after capitalization of HK$966.8 million to the on-going development projects.

For the year ended 31 December 2014, profit attributable to equity shareholders of the Company decreased by 59.6% to HK$1,267.4 million against last year (2013: HK$3,136.0 million).

LAND BANK

The Group's management believes that a sizable and quality land bank is one of the most important resources for a property developer. A key success factor would therefore be the Group's capability to acquire sites at competitive prices and at opportune times, thereby securing attractive returns on the properties it develops and sells.

As the Group's strategy is to expand into emerging third-tier cities in the PRC, it succeeded in entering into a city Shantou, Guangdong Province during the year. A total of four new acquisitions of land parcels were transacted through public land auctions, with an approximate gross floor area of 2,703,000 sq.m. in aggregate added to the Group's land bank for total consideration of approximately RMB4,161.4 million.

Hefei - The Lagoon

Total Landbank:

12.1 million sq.m.

Attributable Landbank:

11.4 million sq.m.

		Total GFA (Thousand sq.m.)	%	Attributable GFA (Thousand sq.m.)	Attributable %
1	Beijing	91.9	0.8	91.9	0.8
2	Jilin	1,339.6	11.1	1,156.2	10.2
3	Hohhot	655.7	5.4	655.7	5.8
4	Yinchuan	2,679.3	22.1	2,277.4	19.9
5	Hefei	599.6	5.0	599.6	5.3
6	Guilin	19.1	0.2	19.1	0.2
7	Nanning	1,878.1	15.6	1,878.1	16.5
8	Lanzhou	690.4	5.7	690.4	6.1
9	Ganzhou	929.0	7.7	817.5	7.2
10	Yancheng	703.2	5.8	703.2	6.2
11	Yangzhou	664.0	5.5	664.0	5.8
12	Nantong	676.0	5.6	676.0	5.9
13	Changzhou	690.1	5.7	690.1	6.1
14	Shaoxing	240.4	2.0	240.4	2.1
15	Shantou	214.8	1.8	214.8	1.9
Total		**12,071.2**	**100**	**11,374.4**	**100**

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

LAND BANK (CONTINUED)

As at 31 December 2014, total land bank of the Group is estimated available to build gross floor area of approximately 12,071,200 sq.m. (of which, 11,374,400 sq.m. are attributable to the Group, excluding non-controlling shareholders).

SEGMENT INFORMATION

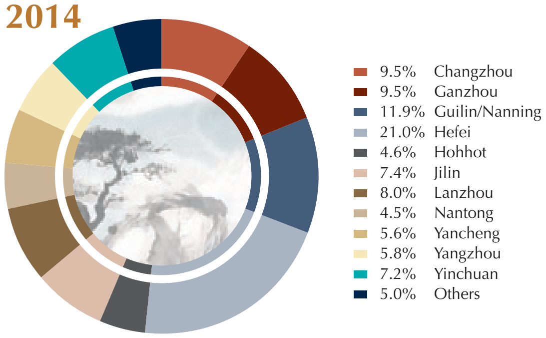
Property Sales and Development

Leveraged with a quality driven national brand name, the Group developed a wide range of tailored housing products to suit specific needs of different local markets. With the scaling down of business operation in Beijing, the Group aligned its business focus in the highly selected third-tier cities and continued to maintain dominant market position in these cities.

For the year ended 31 December 2014, the Group operated in 14 third-tier cities besides Beijing with 27 projects under development. Contracted property sales increased by 4.9% to HK$18,060.1 million against last year, corresponding to a saleable gross floor area of 1,849,800 sq.m. (2013: 1,638,373 sq.m.). At year end, the balance of preliminary sales pending the completion of sales and purchase agreements was HK$1,023.0 million for an aggregated area of 69,900 sq.m..

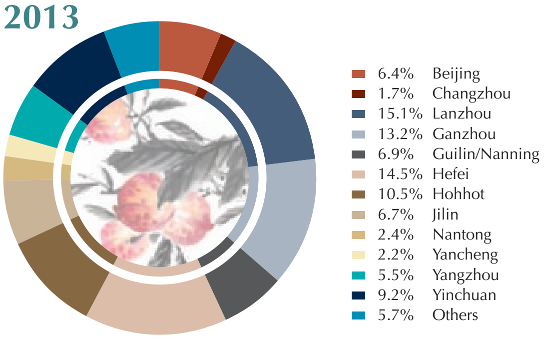
Proportion of Contracted Property Sales by Cities
Total Property Sales:

2014



HK$18.1 billion

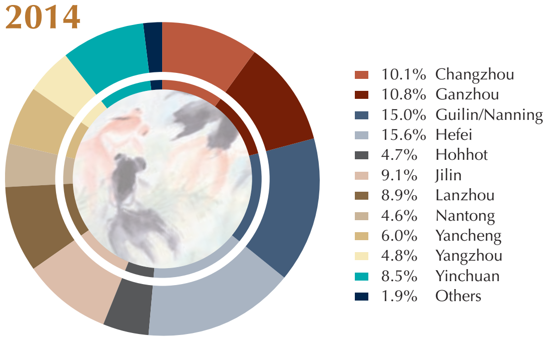
2013



HK$17.2 billion

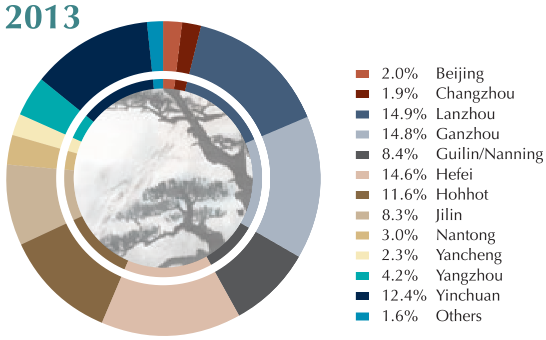
Proportion of Saleable GFA Sold by Cities
Total Saleable GFA Sold:

2014



1,849,800 sq.m.

2013



1,638,373 sq.m.

Jilin - International Community

Changzhou - The Imperial

Nantong - The Aqua

SEGMENT INFORMATION (CONTINUED)

Property Sales and Development (CONTINUED)

Contracted property sales from major projects during the year:

City	Name of project	Saleable GFA (sq.m.)	Amount (HK$ Million)
Hefei		**275,004**	**3,645.7**
	The Lagoon	256,699	3,356.0
	Maison du Lac	18,305	289.7
Nanning		**253,614**	**1,923.9**
	International Community	159,707	1,148.4
	Royal Lakefront	49,658	404.0
	The Green Peak	44,249	371.5
Ganzhou	International Community	**200,668**	**1,716.8**
Changzhou		**187,637**	**1,716.7**
	The Imperial	96,365	999.2
	The Phoenix	53,430	401.6
	Dragon Bay	37,842	315.9
Lanzhou		**165,054**	**1,452.5**
	Glorioushire	140,643	1,163.2
	The Arch	24,411	289.3
Jilin		**167,787**	**1,334.8**
	International Community	118,972	931.1
	Royal East/Royal Waterfront	48,815	403.7
Yinchuan	International Community	**156,772**	**1,291.3**
Yancheng		**111,157**	**1,003.8**
	The Century	71,267	735.0
	The Arch	39,890	268.8
Yangzhou		**84,483**	**977.5**
	Jade Garden	47,736	621.6
	The Grand Canal	36,747	355.9
Nantong		**84,326**	**813.4**
	The Aqua	61,809	442.5
	The Grove	22,517	370.9

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

SEGMENT INFORMATION (CONTINUED)

Property Sales and Development (CONTINUED)

Progress for all development projects were satisfactory and largely in line with the construction programs. Nearly 2,201,800 sq.m. of construction sites were completed for occupation in the year (2013: 2,005,600 sq.m.) with about 73% of these sold out by year end. While revenue generated from third-tier cities increased by 8.3% to HK$13,558.3 million and represented 99.3% (2013: 79.8%) of the segment turnover, however, the coincident of macroscopic economic adjustments causing turbulence in the property market had limited the sales to cover the shortfall arising from the scaling down effects of business operation in Beijing. Nonetheless, the Group reacted with adapted market strategies to stimulate sales and streamline property stock to safeguard a healthy financial position. For the year ended 31 December 2014, recognized revenue reduced by 12.9% to HK$13,660.3 million against last year (2013: HK$15,681.0 million) while segment result decreased to HK$2,565.3 million (2013: HK$4,622.7 million).

Recognized revenue from major projects during the year:

City	Name of project	Saleable GFA (sq.m.)	Amount (HK$ Million)
Ganzhou	International Community	**301,241**	**2,516.3**
Hefei		**180,442**	**2,291.9**
	The Lagoon	38,638	938.9
	The Great Hill	97,204	873.2
	Maison du Lac	44,600	479.8
Lanzhou	The Arch	**167,914**	**1,578.4**
Yinchuan	International Community	**201,518**	**1,516.7**
Nanning/Guilin		**165,554**	**1,369.8**
	Royal Lakefront	66,126	515.4
	The Green Peak	60,715	482.1
	The Chief Palace	38,713	372.3
Jilin		**155,055**	**1,221.6**
	International Community	120,004	810.8
	Royal East	18,512	229.2
	Royal Waterfront	16,539	181.6
Changzhou		**101,766**	**828.9**
	The Phoenix	43,969	332.4
	The Imperial	29,049	274.3
	Dragon Bay	28,748	222.2
Yangzhou	Jade Garden	**62,097**	**789.1**
Nantong	The Aqua	**104,595**	**760.0**
Yancheng	The Century	**19,153**	**363.6**

SEGMENT INFORMATION (CONTINUED)

Property Sales and Development (CONTINUED)

In addition to the above, the following projects had commenced the construction work in the year:

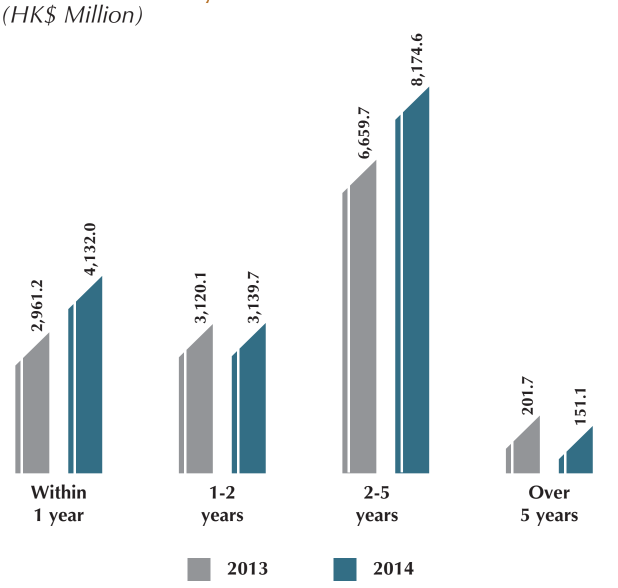
City	Name of project	Construction commenced
Hohhot	The Azure	March 2014
Yangzhou	Imperial No. 9 (previously named as "Jade Garden (Phase 2)")	March 2014
Beijing	Maple Palace	March 2014
Shaoxing	Century Manor	July 2014
Shantou	East Coast	October 2014

Further details of the respective projects are shown in the Particulars of Major Properties & Property Interests on page 134 to page 141 in the annual report.

At year end date, properties under construction and stock of completed properties amounted to 5,920,407 sq.m. and 870,599 sq.m. respectively, totaling 6,791,006 sq.m.. Properties of 1,119,964 sq.m. had been contracted for sales and were pending for handover upon completion.

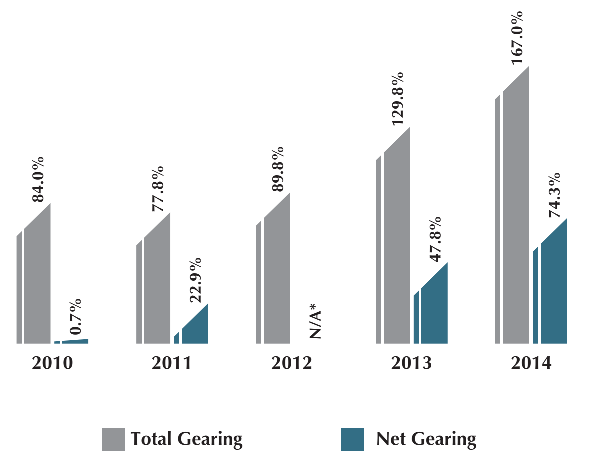
Debt# Maturity Profile

(HK$ Million)



excluding the convertible bonds and guaranteed notes payable

Gearing Ratio



* *net cash*

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

PROPERTY LEASING

For the year ended 31 December 2014, with increased average rental rate together with additional investment in investment properties in the second half of last year, rental income increased to HK$193.3 million (2013: HK$134.9 million) with a segment profit of HK$187.2 million (2013: HK$588.6 million). The reduction in segment profit was mainly due to a relatively lower fair value gain of HK$30.0 million (2013: HK$475.6 million) in respect of the investment properties while contribution from the joint venture also reduced to HK$3.6 million (2013: HK$17.6 million).

At the year end, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were 100% and 84% respectively. The tenancy of China Overseas Building in Jilin continued to increase steadily. The Group fully owns the Beijing and the Jilin properties while it holds 65% of the Shanghai project.

FINANCIAL RESOURCES AND LIQUIDITY

As a Hong Kong incorporated and listed entity, the Company and its subsidiaries have multiple accesses to funds from both investors and financial institutions in the PRC and international market to meet its working capital requirements. As at 31 December 2014, net working capital amounted to HK$25,523.5 million (31 December 2013: HK$21,871.0 million), with a quick ratio of 0.7 (31 December 2013: 0.9).

During the year, the Group successfully issued US$400 million 5.125% Guaranteed Notes due 2019. In addition, new credit facilities of approximately HK$5,839.1 million were secured from leading financial institutions. After taking into account drawdowns of HK$5,088.7 million and repayment of matured loans of HK$2,423.1 million in the year, total borrowings (exclude the liability portion of HK$1,820.4 million of the convertible bonds and the amortized cost payable of HK$3,128.8 million of the Guaranteed Notes) increased by 20.5% to HK$15,597.4 million against last year end. Interest of such borrowings was charged at floating rates with a weighted average of 4.213% per annum. About 26.5% of such borrowings is repayable within one year.

Cash Reserves
(HK$ Million)

The Group has unutilized bank credit facilities of HK$2,305.5 million as at 31 December 2014

Nanning - Royal Lakefront

Changzhou - Dragon Bay

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

On the other hand, coupled with sales achieved during the year, cash and bank balances plus restricted cash and deposits were 23.1% higher at a total of HK$11,409.8 million compared with the last financial year end (HK$9,268.8 million).

The net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the liability portion of the convertible bonds as well as the Guaranteed Notes aforesaid, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, was 74.3% as at 31 December 2014 (31 December 2013: 47.8%), which was considered within the acceptable and manageable range of the management in light of the current pace of development and operation environment.

Taking into consideration of the unutilized bank credit facilities available to the Group of HK$2,305.5 million, the Group's total available funds (including restricted cash and deposits of HK$2,584.5 million) reached HK$13,715.3 million as at 31 December 2014. The Group would regularly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2014, about 26.9% and 73.1% of the Group's total borrowings (including the liability component of the convertible bonds as well as the Guaranteed Notes aforesaid) were denominated in Renminbi and Hong Kong Dollar/US Dollar respectively. As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in Renminbi for its PRC property development business, the management considered that a natural hedge mechanism existed. While the Group would closely monitor the volatility of the Renminbi exchange rate, the management assessed that the Group's risk exposure to foreign exchange rate fluctuations remained at acceptable range.

CAPITAL COMMITMENTS AND GUARANTEE

As at 31 December 2014, the Group had capital commitments totaling HK$8,116.4 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$11,877.8 million (equivalent to RMB9,370.3 million), mainly for facilitating end-user mortgages in connection with its PRC property sales as a usual commercial practice.

Yancheng - The Century

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$10.9 million approximately during the year under review, mainly referred to additions in motor vehicles, furniture, fixtures and office equipment.

On the other hand, as at 31 December 2014, certain property assets with an aggregate carrying value of HK$4,431.7 million in the PRC were pledged to obtain HK$1,004.2 million (equivalent to RMB792.2 million) of secured borrowings from certain PRC banks for the development projects.

EMPLOYEES

As at 31 December 2014, the Group has approximately 2,739 employees (31 December 2013: 2,546). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition.

Lanzhou - The Arch

HUMAN RESOURCES AND SUSTAINABLE DEVELOPMENT

STAFF TRAINING AND DEVELOPMENT

The Group targets to build up the core competitiveness of our team and enhance the all-round development and expertise of the staff. It actively creates a healthy and positive team spirit and cultivates a learning culture by organizing a series of training activities so as to boost the morale and sense of belonging. The Group provides training for the staff by organizing short-term off-site exchange tours, focus learning, video conferencing, discussion, etc. via the e-learning academy of the Group. During the year, the Group organized 1,308 training courses totally up to 23,531 runs which effectively facilitated the rapid growth of our employees.

The Group advocates the talent-deployment policy by integrating employees' development into the long-term development of the enterprise. The Group enhanced various practical experiences and capabilities of the employees by ways of deployment, inter-company transfer and exchange to cope with the rapid expansion of its operations. A total of 711 staff mobilization through promotion, internal transfer and inter-company job rotation was recorded in the year. The Group also pursues to meet the employees' pursuit of career development by setting up dual respects of management and technical development side-by-side.

RECRUITING THE BEST TALENTS

The Group recognizes the importance of nurturing talents to our future development. During the year, in order to keep pace with the rapid development of the Group, it leverages on the schemes of graduate recruitment and society recruitment as platforms, and successfully attracted outstanding talents for the Group's sustainable development. Also, in order to expand our middle to senior experienced management team, the Group successfully recruited 226 management personnel via the society recruitment scheme to join the headquarters and regional offices. The recruitment effectively beefed up the professional and technical capability of the companies and the overall competitiveness.

ENVIRONMENTAL PROTECTION AND CARBON REDUCTION

The Group pursues to develop top-quality properties which emphasize environmental protection, energy conservation and sustainability of the natural environment. The Group strives to fulfill its obligations as a corporate citizen by constantly innovating and applying low-carbon building technologies during the stages of construction, design, development and management of projects. It also endeavours to achieve standardization and minimize the wastage of resources to help build a green community.

Society Recruitment Scheme

Group Study

Staff Activities

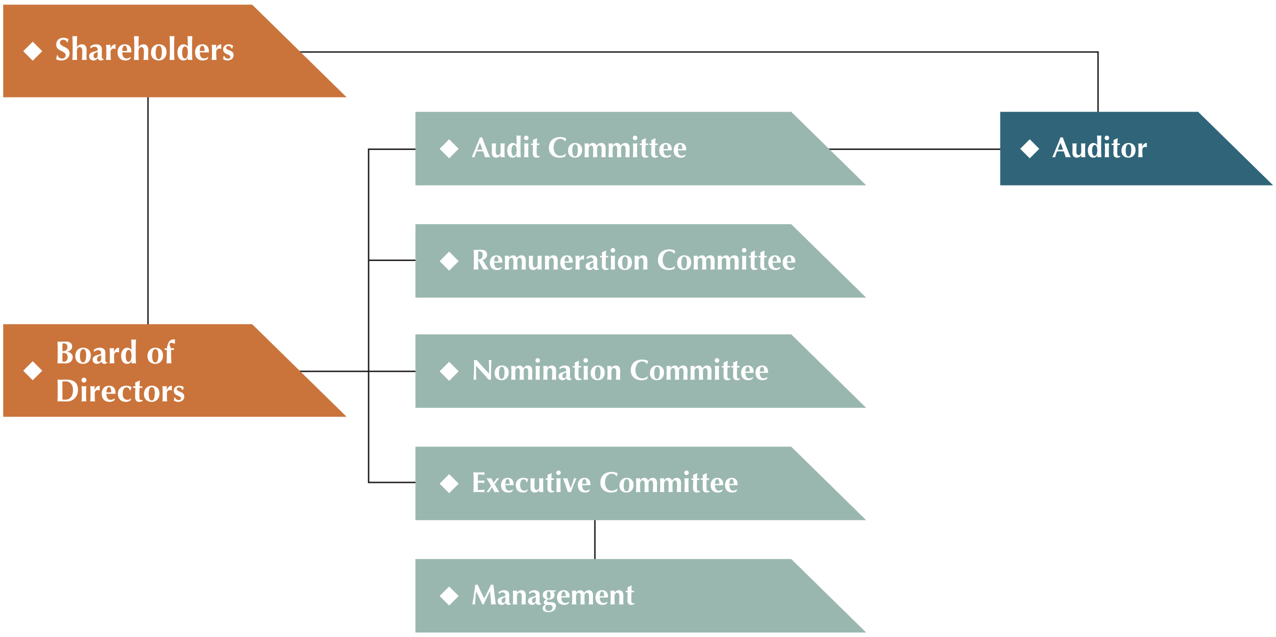
CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group strives to raise the standard of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximize the value of our shareholders as a whole.

CORPORATE GOVERNANCE STRUCTURE

The following are key players involved in ensuring the application of good governance practices and policies within the Group and their major roles and explanations of their corporate governance practices and policies are set out in the following report:



BOARD OF DIRECTORS

Management Functions

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as business strategies, budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board include supervising and administrating the operation and financial position of the Company, enhancing corporate governance practices and promoting the communication with our shareholders.

BOARD OF DIRECTORS (CONTINUED)

Board Composition

Our Board currently has nine members drawn from diverse and complementary backgrounds and experience:

Name of Directors	Background*
Mr. Hao Jian Min *(Chairman and Non-executive Director)*	Property development and general corporate management
Mr. Yung Kwok Kee, Billy *(Vice Chairman and Non-executive Director)*	Property development and general corporate management
Mr. Zhang Guiqing *(CEO and Executive Director)*	Property development and general corporate management
Mr. Xiang Hong *(Vice President and Executive Director)*	Finance and general corporate management
Mr. Wang Man Kwan, Paul *(CFO and Executive Director)*	Finance and investment
Mr. Yang Hai Song *(Executive Director)*	Finance and investment
Dr. Chung Shui Ming, Timpson *(Independent and Non-executive Director)*	Finance and investment
Mr. Lam Kin Fung, Jeffrey *(Independent and Non-executive Director)*	General corporate management
Mr. Lo Yiu Ching, Dantes *(Independent and Non-executive Director)*	Construction and public administration

* *Full biographies of the Directors are set out in the section headed "Directors and Organization" of this annual report.*

During the year, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules regarding the appointment of at least three independent non-executive directors including at least one independent non-executive director with appropriate professional qualifications or accounting or relating financial management expertise. The Board has received annual written confirmation of independence from each of the independent non-executive Directors and believe that, as at the date of this annual report, they are independent of the Company in accordance with the relevant requirement of the Listing Rules.

Chairman and CEO

The roles between the Chairman of the Board and the Chief Executive Officer are separate to ensure a balance of power and authority.

Mr. Hao Jian Min served as the Chairman of the Board throughout the year and is responsible for providing leadership and management of the Board. He is responsible for ensuring that before any meeting is held, all Directors receive complete and reliable information in a timely manner and that Directors are properly briefed on issues arising at the meetings. He also ensures that the Board works effectively and discharges its responsibilities; good corporate governance practices and procedures are established; and appropriate steps are taken to provide effective communication with shareholders and those views of shareholders are communicated to the Board as a whole. Mr. Hao also holds meeting annually with the non-executive Directors to discuss corporate governance and other matters without the executive Directors present.

BOARD OF DIRECTORS (CONTINUED)

Chairman and CEO (Continued)

Mr. Zhang Guiqing is currently our Chief Executive Officer who is responsible for the implementation of strategies and objectives set by the Board and is responsible for day-to-day management of the Company's businesses.

Appointments, Re-election and Removal

In accordance with our articles of association, one-third of the Directors will retire from office by rotation for re-election by shareholders at the annual general meeting. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting.

All Directors have service contracts with the Company. All independent non-executive Directors are appointed for a term of three years commencing from 1 August 2014 and the other Directors are not appointed for a specific term of office.

CG Code A.4.1 stipulates that non-executive Directors should be appointed for a specific term. Two non-executive Directors of the Company are not appointed for a specific term, however, they are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Directors' Securities Transactions

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code. Having made specific inquiries to Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2014.

Directors and Officers Liabilities Insurance

The Company has arranged appropriate insurance cover in respect of legal action against Directors and officers.

Supply of and Access to Information

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information such as monthly updates in relation to our businesses and have separate and independent access to senior management.

Directors' Training

According to the records of training maintained by the Company, during the financial year under review, all the Directors have participated continuous professional developments to refresh their knowledge and skills. The details of their training are set out as follows:

Directors	Type of Training (see remarks)
Mr. Hao Jian Min	A, C
Mr. Yung Kwok Kee, Billy	C
Mr. Chen Bin (resigned in December 2014)	A, B, C
Mr. Zhang Guiqing (appointed in December 2014)	C
Mr. Xiang Hong	A, B, C
Mr. Wang Man Kwan, Paul	A, C
Mr. Yang Hai Song	A, C
Dr. Chung Shui Ming, Timpson	A, C
Mr. Lam Kin Fung, Jeffrey	A, C
Mr. Lo Yiu Ching, Dantes	A, C

Remarks:

A: attending seminars

B: giving talks at seminars

C: reading journals, updates, articles or materials

In addition, every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under laws, regulations and especially the governance policies of the Company.

CORPORATE STRATEGY AND BUSINESS MODEL

It is the Group's firm vision to become a high-growth star property developer of the highest potential in the PRC residential property market. With good customer satisfaction and company goodwill, the Group will continue to engage primarily in the emerging third-tier cities with best investment value and growth potentials and targeting at the middle to high-end product ranges.

Details of the Group's business and financial review in the year 2014 are set out in the "Management Discussion and Analysis" section of this annual report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the relevant laws and standards. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure that a balanced, clear and understandable assessment of the Company's position and prospects are presented in annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

Internal Controls

The Directors of the Company are responsible for the maintenance of an effective system of internal control. The Board has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and properly managed. The Company has established the Intendance and Audit department so as to enhance a good internal control environment. The Intendance and Audit department provides internal control assessment reports to the management on a regular or ad hoc basis. It also regularly reports to the Audit Committee and the Board on internal control affairs. To minimize risk faced by the Company, the department evaluates and reviews the Company's internal control processes to avoid risks and provide a solid foundation for building up an effective internal control system.

The Directors have reviewed the efficiency of internal control systems of the Company and its subsidiaries in aspects such as financial condition, operation, regulatory compliance and risk management. The Directors believe that the internal control system is efficient and effectively controls the risks that may have impacts on the Company in achieving its goals.

The Directors have also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

DELEGATION BY THE BOARD

Board Proceedings

The Board held five meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions and disposals and connected transactions, if any. All Directors can give notice to the Chairman or the Company Secretary if they intend to include matters in the agenda for Board meetings. Before each Board meeting, notice of at least 14 days or sufficient notice of meeting was sent to each Director to promote better attendance. Where necessary, the Directors can seek separate independent professional advice at the Company's expenses so as to discharge their duties to the Company. Minutes of the meetings are kept by the Company Secretary, and the Board and committee members may inspect the documents and minutes of the Board and the committees at anytime. All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that procedures are followed and that all applicable laws and regulations are complied with.

DELEGATION BY THE BOARD (CONTINUED)

Board Proceedings (Continued)

To safeguard their independence, Directors are required to declare their direct/indirect interest, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from voting. In 2014, no Director withdrew from a meeting due to a potential conflict of interest.

Board Committees

Currently, the Board has set up four committees, namely, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee to implement internal supervision and control on each relevant aspect of the Company.

Executive Committee

The Executive Committee has been established since August 2012 and its major responsibilities and functions are as follows:

- To review and approve loans or banking facilities to be granted to the Group and the opening of bank or securities related accounts matters;
- To review and monitor training and continuous professional development of Directors and senior management;
- To oversee all matters and to formulate policies in relation to the Company's corporate governance functions; and
- To deal with any other specific business delegated by the Board.

Members of the Executive Committee comprise the Chairman, Chief Executive Officer and all executive directors of the Company.

During the year, the Executive Committee held 32 meetings to:

- review and approve various bank loans and facilities;
- approve the change of bank signatories; and
- bring the members of the Board up-to-date on the latest developments of regulatory issues and corporate governance.

Audit Committee

The Company established the Audit Committee whose principal duties are as follows:

- To review the financial statements of the Group;
- To review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls and risk management; and
- To review and monitor the scope, effectiveness and results of internal audit function.

The Audit Committee comprises three members, namely Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, all of whom are independent non-executive Directors. The Audit Committee is chaired by Dr. Chung Shui Ming, Timpson. For the purpose of reinforcing their independence, all members of the Audit Committee have appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The Audit Committee held four meetings during 2014 and has reviewed:

(i) the Group's financial reports for the year ended 31 December 2013, interim and quarterly results;

(ii) the audit plans from the external auditor;

(iii) the internal and independent audit results;

(iv) the continuing connected transactions entered into by the Group;

(v) internal control and financial reporting system; and

(vi) the re-appointment of the external auditor and their remuneration.

DELEGATION BY THE BOARD (CONTINUED)

Audit Committee (Continued)

The Audit Committee also met with the auditor twice a year in the absence of management to discuss matters relating to any issues arising from audit and any other matters the auditor may wish to raise.

Remuneration and Nomination of Directors and Senior Management

Remuneration Committee

The Company has established the Remuneration Committee whose principal duties are as follows:

- To make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration;
- To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The remuneration of the Directors approved by the shareholders is determined by the Board with reference to factors such as salaries paid by comparable companies, time commitment, responsibilities of the Directors and employment conditions.

The Remuneration Committee has five members, namely Mr. Hao Jian Min, Mr. Yung Kwok Kee, Billy, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non-executive Directors. The Committee is chaired by Mr. Lam Kin Fung, Jeffrey.

The Remuneration Committee held one meeting during 2014 and has reviewed:

(i) the remuneration policy of the Group and Directors' remunerations; and

(ii) the remuneration package of individual executive Directors and non-executive Directors.

Nomination Committee

The Company has also established the Nomination Committee with the following major responsibilities and duties:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board;
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of independent non-executive directors; and
- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

The Board has adopted a board diversity policy effective on 29 July 2013. All Board appointments will be based on merit and selection of candidates will be based on a range of diversity factors. The Nomination Committee is responsible for developing measurable objectives to implement this policy and for monitoring progress towards the achievement of these objectives.

As at the date of this report, the Board comprises nine Directors and three of them are independent non-executive Directors, thereby promoting critical review and control of the management process.

DELEGATION BY THE BOARD (CONTINUED)

Nomination Committee (Continued)

In addition, a proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. Candidates to be selected and recommended are experienced, high calibre individuals. All candidates must be able to meet the standards set out in the Listing Rules.

The Nomination Committee has four members, namely Mr. Hao Jian Min, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non-executive Directors. The Committee is chaired by Mr. Hao Jian Min.

The Nomination Committee held one meeting during the year and has reviewed the rotation and appointment of Directors.

COMPANY SECRETARY

Mr. Chong Wai Sang, Edmond was appointed as the Company Secretary of the Company on 16 March 2011. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information monthly and quarterly so that the investors can have a better understanding about the operations of the Company.

A shareholders' communication policy was adopted throughout the year pursuant to the CG Code which aims at establishing a two-way relationship and communication between the Company and its shareholders.

The Company also holds regular meetings with financial analysts and investors, during which the Company's management will directly provide relevant information and data to the financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company.

Save as disclosed above, the Company has strictly complied with all CG Codes in 2014.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a General Meeting ("GM")

Pursuant to the articles of associations of the Company, GM shall be convened on request by shareholders, or, in default, may be convened by the requesting shareholders in accordance with the Companies Ordinance.

According to the Companies Ordinance, shareholders of the Company representing at least 5% of the total voting rights at GM may request the Directors to call a GM and the Directors must call a meeting within 21 days after the date on which they become subject to the requirement. The GM must then be held on a date not more than 28 days after the date of the notice convening the meeting.

If the Directors fails to call the meeting in accordance with the Companies Ordinance, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a meeting at the expenses of the Company. The meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a meeting.

Procedures for Shareholders to Put Forward Proposals at General Meetings

According to the Companies Ordinance, at least 50 shareholders or shareholders representing at least 2.5% of the total voting right may request the Company to circulate to the shareholders entitled to receive notice of a general meeting a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting.

Such request must be in writing, authenticated by the relevant shareholders and received by the Company at least 6 weeks before the relevant annual general meeting or 7 days before the meeting to which it relates.

SHAREHOLDERS' RIGHTS (CONTINUED)

Enquiries to the Board

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and his contact details are as follows:

Company Secretary
China Overseas Grand Oceans Group Limited
Unit 6703, Level 67, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong
Email: companysecretary81@cohl.com
Tel. No.: (852) 2988 0623
Fax No.: (852) 2988 0606

ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings, meetings of Board committees and annual general meeting held in 2014 are set out in the following table:

Name of Directors	Board Meetings *(Note)*	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting
Mr. Hao Jian Min	5/5	N/A	1/1	1/1	1/1
Mr. Yung Kwok Kee, Billy	4/5	N/A	1/1	N/A	1/1
Mr. Zhang Guiqing (appointed in December 2014)	N/A	N/A	N/A	N/A	N/A
Mr. Chen Bin (resigned in December 2014)	5/5	N/A	N/A	N/A	1/1
Mr. Xiang Hong	5/5	N/A	N/A	N/A	1/1
Mr. Wang Man Kwan, Paul	5/5	N/A	N/A	N/A	1/1
Mr. Yang Hai Song	5/5	N/A	N/A	N/A	1/1
Dr. Chung Shui Ming, Timpson	5/5	4/4	1/1	1/1	1/1
Mr. Lam Kin Fung, Jeffrey	5/5	4/4	1/1	1/1	1/1
Mr. Lo Yiu Ching, Dantes	5/5	4/4	1/1	1/1	1/1

Note: The attendance figure represents actual attendance/the number of meetings a Director entitled to attend.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately HK$1,850,000 and HK$40,000 respectively. The non-audit services payable included professional services rendered in connection with the Group's continuing connected transactions.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the Shareholders passed on 26 May 2014, a new set of articles of association of the Company was adopted to substitute the memorandum and articles of association of the Company, in order to bring the constitution of the Company in line with the Companies Ordinance, the current Listing Rules and market practice. Save as disclosed above, there was no change in the Company's constitutional documents during the year ended 31 December 2014.

The new articles of associations of the Company are available on the website of the Company and the website of the Stock Exchange.

DIRECTORS AND ORGANIZATION

NON-EXECUTIVE DIRECTORS:

MR. HAO JIAN MIN, *Chairman*

Aged 50, holds a Master's degree from Harbin Institute of Technology and a MBA from Fordham University in the USA. Mr. Hao joined COHL in 1989. He is now the vice chairman and general manager of COHL and the chairman, chief executive officer and executive director of COLI. He is also acting as the chairman or director of certain subsidiaries of COHL and COLI. Mr. Hao has more than 25 years' experience in construction and property development businesses. Mr. Hao has been appointed as the chairman and non-executive Director of the Company since February 2010. He is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

MR. YUNG KWOK KEE, BILLY, *Vice Chairman*

Aged 61, received a Bachelor degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in US, Hong Kong and China. He has also over 30 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. Mr. Yung resigned as the group chairman and chief executive of the Company with effect from 10 February 2010 and has been re-designated from chairman of the Board and executive Director to vice chairman of the Board and non-executive Director of the Company with effect from 27 February 2010. He is now the vice chairman, non-executive Director and member of the Remuneration Committee of the Company. Mr. Yung is currently a member of 12th Chinese People's Political Consultative Conference Guangzhou Committee, the Permanent Honorary President of Friends of Hong Kong Association Ltd., the Honorary President of Shun Tak Fraternal Association, a member of Central Advisory Board, Junior Police Call and was awarded the Honorary Citizen of the City of Guangzhou and the Honorary Citizen of the City of Foshan.

EXECUTIVE DIRECTORS:

MR. ZHANG GUIQING, *Chief Executive Officer*

Aged 42, holds a bachelor degree from the Shenyang Jianzhu University and a master degree from the Harbin Institute of Technology. He joined a subsidiary of COHL as engineer in 1995 and since then, he worked in various business units within COHL and COLI, such as, development management department, marketing and planning department, general manager of Suzhou and Shenzhen regional companies. He has 19 years' experience in property development and corporate management. Mr. Zhang has been appointed as the chief executive officer and executive director of the Company with effect from December 2014.

MR. XIANG HONG, *Vice President*

Aged 47, is a senior accountant and holder of master's degree, graduated from Hangzhou Institute of Commerce and Murdoch University in Australia. He has more than 21 years' experience in corporate financial management. Mr. Xiang joined COLI in 1993 and was appointed as a deputy financial controller of a COLI's subsidiary in February 2006. He was subsequently designated as the deputy financial controller of COLI in November 2009 and resigned from the post in July 2011. Mr. Xiang was appointed as the Company's chief financial officer and executive Director in February 2010 and has been re-designated as vice president and executive Director since July 2011.

MR. WANG MAN KWAN, PAUL, *Chief Financial Officer*

Aged 58, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Wang is a fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also an associate member of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Wang joined COLI as general manager, Finance & Treasury Department in December 2004. Between February 2005 and August 2009, he was appointed as executive director and deputy financial controller and qualified accountant of COLI. Prior to joining COLI, Mr. Wang was director and chief financial officer of Guangdong Investment Limited. Mr. Wang has extensive experience in corporate restructuring and corporate financial services. His previous experience includes working in the Hong Kong Inland Revenue Department, Jardine Matheson (Company Secretary's Department and JMS Finance), Deloitte (Hong Kong and Toronto offices) and as a director and chief operating officer of a South East Asian Group in charge of operations in China, Philippines, Indonesia, Singapore, Dubai and Germany. Mr. Wang was appointed an executive Director and chief financial officer of the Company in July 2011.

EXECUTIVE DIRECTORS: (CONTINUED)

MR. YANG HAI SONG

Aged 41, graduated from Zhongnan University of Economics and Law and Judge Business School of The University of Cambridge (UK). He joined COHL in 2000 and has been appointed as a director of COHL since January 2015. Mr. Yang has more than 16 years' experience in corporate finance, investment and risk management, and operations in relation to capital markets. Mr. Yang was appointed as an executive Director of the Company on 16 October 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

DR. CHUNG SHUI MING, TIMPSON *GBS, JP*

Aged 63, holds a bachelor of science degree from the University of Hong Kong, a master's degree of business administration from the Chinese University of Hong Kong and a Doctor of Social Sciences honoris causa from the City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. Dr. Chung is currently a member of the National Committee of the 12th Chinese People's Political Consultative Conference. Besides, Dr. Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited, China Everbright Limited, Henderson Land Development Company Limited, China Construction Bank Corporation and Jinmao (China) Investments Holdings Limited (all listed on the Stock Exchange). Dr. Chung is also an independent director of China State Construction Engineering Corporation Limited (listed on the Shanghai Stock Exchange). From October 2004 to November 2008, Dr. Chung served as an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited. Formerly, Dr. Chung was an independent director of China Everbright Bank Corporation Limited, an independent non-executive director of Nine Dragons Paper (Holdings) Limited, a director of Hantec Investment Holdings Limited, the chairman of China Business of Jardine Fleming Holdings Limited, the deputy chief executive officer of BOC International Limited, the independent non-executive director of Tai Shing International (Holdings) Limited, and the chairman of the Council of the City University of Hong Kong. He was also the chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority, a member of the Disaster Relief Fund Advisory Committee and a vice-chairman, director & deputy general manager of Nanyang Commercial Bank Limited and the chief executive officer of the Hong Kong Special Administrative Region Government Land Fund Trust. Since May 2010, Dr. Chung has been appointed as an independent non-executive Director of the Company, chairman of the Audit Committee, and member of both the Remuneration Committee and Nomination Committee of the Company.

MR. LAM KIN FUNG, JEFFREY *GBS, JP*

Aged 63, holds a bachelor's degree from Tufts University in USA. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing. He is also a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lam also holds a number of other public and community service positions including non-official member of the Executive Council, member of the Legislative Council in Hong Kong, chairman of the Assessment Committee of the Mega Events Funds, member of the Fight Crime Committee, council member of Hong Kong Trade Development Council, general committee member of Hong Kong General Chamber of Commerce and member of Independent Commission Against Corruption (ICAC) Complaints Committee. In addition, he is an independent non-executive director of CC Land Holdings Limited, Wynn Macau, Limited, Bracell Limited, Chow Tai Fook Jewellery Group Limited and Shougang Concord Technology Holdings Ltd. Formerly, Mr. Lam was an independent non-executive director of Hsin Chong Construction Group Limited. Since May 2010, Mr. Lam has been appointed as an independent non-executive Director of the Company, and he is currently the member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee of the Company.

DIRECTORS AND ORGANIZATION *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS: (CONTINUED)

MR. LO YIU CHING, DANTES *GBS, JP*

Aged 68, graduated in London in 1970 and further obtained his Master of Science degree in civil engineering from the University of Hong Kong in 1980. He is a fellow of the Institution of Civil Engineers; a fellow of the Institution of Structural Engineers; a fellow of the Hong Kong Institution of Engineers and a member of the China Civil Engineering Society.

Mr. Lo had been engaged both in Hong Kong and overseas in the administration, planning, design and supervision of major capital works projects in civil and structural engineering, including multi-storey buildings, slope works, construction of roads and bridges, reclamations and port works and new town development. In 1970, Mr. Lo started his career with Ove Arup & Partners in London as a project engineer. He joined the Hong Kong Government in 1974 as an engineer and was promoted to director of Civil Engineering Department in 1999 and then director of Highways Department in 2000. In 2002, Mr. Lo was appointed the permanent secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Before his retirement, Mr. Lo was awarded the Gold Bauhinia Star (GBS) in recognition of his loyal and distinguished service to the Government and the Hong Kong Community. In particular, he had made valuable contribution in steering forward major public works projects and in promoting quality improvements in the construction industry.

Mr. Lo is a Justice of the Peace. Mr. Lo had been a part-time senior consultant to the Hospital Authority on capital planning. He has been appointed as a distinguished adjunct professor in the Department of Civil Engineering, University of Hong Kong since 2003. Since May 2010, Mr. Lo has been appointed as an independent non-executive Director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. In addition, Mr. Lo has been appointed as a board member of The Airport Authority Hong Kong with effect from June 2014.

SENIOR MANAGEMENT STAFF:

MS. FAN YI TING, *Assistant President & Vice Chief Architect*

Aged 43, graduated from the South China University Of Technology and attained a master of architecture. Ms. Fan joined a subsidiary of COHL in 2000 and has been appointed General Manager of Planning and Design Center and Director of China Overseas Property Group Co., Ltd ("China Overseas Property Group") and Design Director of China Overseas Property Group (Northern China) since 2002. Ms. Fan has been appointed as Assistant President and Vice Chief Architect of the Company since June 2011. She has 19 years' experience in planning and design management.

MR. CHENG YANG, *Assistant President*

Aged 39, graduated from the Civil Engineering School of the Southeast University. He joined China State Construction Engineering Corporation in 1996 and since 2002, he served in different positions, such as, the assistant general manager of the investment management division, the deputy general manager of the development management division of China Overseas Property Group Co., Ltd., and the general manager of China Overseas Property Group (Ningbo) Co., Ltd.*. Mr. Cheng has been appointed as Assistant President of the Company since March 2014 and has 18 years' experience in property development business.

* *English translation is for identification only.*

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Group are property investment and development, property leasing and investment holding. Details of the activities of its principal subsidiaries and joint ventures are set out in note 47 and note 48 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 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 on page 47.

The Board has recommended the payment of a final dividend of HK1.0 cent per ordinary share for the year ended 31 December 2014 with a total amount of approximately HK$22,822,000.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 32 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 33 to the financial statements respectively.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company at 31 December 2014 was HK$485,114,000 (2013: HK$806,755,000).

DONATIONS

During the year, the Group did not make any charitable and other donations (2013: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company are set out in note 16 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 133.

MAJOR PROPERTIES

Particulars of the major properties and property interests of the Group as at 31 December 2014 are set out on pages 134 to 141.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Guaranteed Notes mentioned below, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2014.

DIRECTORS

The Directors of the Company during the year and up to date of this report are as follows:

Non-executive Directors

Mr. Hao Jian Min *(Chairman of the Board)*
Mr. Yung Kwok Kee, Billy *(Vice Chairman of the Board)*

Executive Directors

Mr. Zhang Guiqing *(Chief Executive Officer,* appointed in December 2014)
Mr. Chen Bin (resigned in December 2014)
Mr. Xiang Hong *(Vice President)*
Mr. Wang Man Kwan, Paul *(Chief Financial Officer)*
Mr. Yang Hai Song

Independent non-executive Directors

Dr. Chung Shui Ming, Timpson
Mr. Lam Kin Fung, Jeffrey
Mr. Lo Yiu Ching, Dantes

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS (CONTINUED)

The dates of appointment of the above Directors are set out in the section headed "Directors and Organization" of this annual report.

In accordance with article 107 of the Company's articles of association, Mr. Yang Hai Song, Dr. Chung Shui Ming, Timpson and Mr. Lo Yiu Ching, Dantes shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition, Mr. Zhang Guiqing was appointed as Director in December 2014 to fill a casual vacancy and shall be eligible for re-election at the forthcoming annual general meeting pursuant to article 98 of the Company's articles of association.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

Each Director (including non-executive Directors) is subject to retirement by rotation in accordance with the Company's articles of association.

DIRECTORS AND ORGANIZATION

Brief biographical details of Directors and senior management as at the date of this report are set out on pages 32 to 34.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, as at the date of this report, the following Directors had declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Company:

Mr. Hao Jian Min, Chairman of the Board and the non-executive Director of the Company, is also the chairman, chief executive officer and executive director of COLI and a director of various subsidiaries of COLI and COHL. In addition, Mr. Hao is the vice chairman and general manager of COHL. Both COLI and COHL are engaged in construction, property development and related businesses.

Mr. Yang Hai Song, executive Director of the Company, is also acting as a director of COHL.

The entities in which the above Directors have declared interests are managed by separate boards of directors and management, which are accountable to their respective shareholders. Further, the Board includes three independent non-executive Directors and one non-executive Director (other than Mr. Hao Jian Min) whose views carry significant weight in the Board's decisions. The Audit Committee of the Company, which consists of three independent non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control and compliance systems of the Company and its subsidiaries. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which Directors have declared interests.

CONVERTIBLE BONDS

In March 2012, the Group had successfully issued the Convertible Bonds, which had been fully redeemed on 21 March 2015. Details of the Convertible Bonds are set out in note 29 and note 46 to the financial statements.

GUARANTEED NOTES

On 15 January 2014, the Company and the issuer (a wholly owned subsidiary of the Company) entered into a subscription agreement in relation to the issuance of the Guaranteed Notes with the joint lead managers. The Guaranteed Notes are guaranteed by the Company irrevocably and unconditionally. Details of which are set out in note 30 to the financial statements.

The net proceeds from the issuance of the Guaranteed Notes, after deducting the fees and other expenses incurred in connection with the issuance of the Guaranteed Notes, amounted to approximately US$393.4 million, which have been used to repay and/or refinance the existing indebtedness of the Group, to finance new and existing projects and for general corporate purposes.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 11 May 2005, the Company's shareholders approved the adoption of Option Scheme and the purposes of the Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to high level of performance.

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Option Scheme, the Option Scheme shall be effective for a period of 10 years from 11 May 2005 (the "Scheme Period") and after which no further options will be granted but the provisions of the Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

The Board may, at its absolute discretion, offer any eligible person options to subscribe for shares in the Company. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as a consideration for option granted. No option was granted since 11 May 2005.

The maximum number of shares that can be granted under the Option Scheme shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at 11 May 2005 unless the Company obtains a further approval from its shareholders in general meeting for refreshing such 10% limit.

The exercise price per share under the Option Scheme shall be determined by the Board but shall be not less than the greatest of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the offer date; and

(c) the nominal value of the shares.

In the event of a capitalization issue, rights issue, sub-division or consolidation of the shares or reduction of the capital of the Company whilst any option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per share for the outstanding options.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2014, the Directors and the chief executives of the Company 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 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 pursuant to the Model Code.

Long positions in shares of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue *(Note 1)*
Mr. Zhang Guiqing	Beneficial owner	Personal	207,500	207,500	0.01%
Mr. Yung Kwok Kee, Billy	Beneficial owner	Personal	34,085,249	341,677,687	14.97%
	Beneficiary of a trust *(Note 2)*	Other	307,592,438		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	363,250	363,250	0.02%

Notes:

(1) The percentage is based on the total number of shares of the Company in issue as at 31 December 2014 (i.e. 2,282,239,894 shares).

(2) These shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.

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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2014, the following persons (other than Directors or the chief executive of the Company) were interested 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 substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue *(Note 1)*
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation *(Note 2)*	Interest in controlled corporation	866,700,549	866,700,549	37.98%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner *(Note 3)*	Beneficial	150,894,069	150,894,069	6.61%
On Fat Profits Corporation ("On Fat")	Beneficial owner *(Note 3)*	Beneficial	156,698,369	156,698,369	6.87%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts *(Note 3)*	Other	307,592,438	307,592,438	13.48%
Mr. Wang Tao Guang	Beneficial owner	Beneficial	225,883,774	225,883,774	9.90%

Notes:

(1) *The percentage is based on the total number of shares of the Company in issue as at 31 December 2014 (i.e. 2,282,239,894 shares).*

(2) *CSCEC is interested in 866,700,549 shares which comprises of 833,531,049 shares held by Star Amuse Limited ("Star Amuse") and 33,169,500 shares held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of COLI which in turn is a non-wholly owned subsidiary of COHL. COHL is a subsidiary of CSCECL which in turn is a non-wholly owned subsidiary of CSCEC.*

(3) *307,592,438 shares held by UBS TC (including 150,894,069 shares and 156,698,369 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his family members as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.*

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.

DIRECTORS' REPORT *(CONTINUED)*

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

(a) Continuing Connected Transactions

(1) CSCECL Group Engagement Agreement with CSCECL

On 29 March 2011, the Company and CSCECL entered into the CSCECL Group Engagement Agreement, whereby the Company and its subsidiaries may engage the CSCECL Group as construction contractor in the PRC upon successful tender for a term of three years commencing from 1 June 2011 and ending on 31 May 2014 provided that the total contract sum that may be awarded by the Group to the CSCECL Group for the period between 1 June 2011 and 31 December 2011 shall not exceed HK$850,000,000, for each of the two years ending 31 December 2013 shall not exceed HK$850,000,000, and for the period between 1 January 2014 and 31 May 2014 shall not exceed HK$800,000,000.

CSCECL is an intermediate holding company of COLI, a controlling shareholder of the Company. Accordingly, CSCECL is a connected person of the Company by virtue of it being an associate of COLI. The transactions contemplated under the CSCECL Group Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(2) New Trademark Licence Agreement with COLI

As disclosed in the Company's announcement of 6 April 2011, the Company and COLI entered into the Trademark Licence Agreement, pursuant to which COLI granted the Company a non-exclusive licence to use the trademark "中海地產" in the PRC for a term commencing from 6 April 2011 and ending on 31 March 2014. The royalty payable pursuant to the agreement was one per cent of audited annual turnover of the Group provided that the royalty payable for each of the 12-month period shall not exceed HK$100 million.

Upon expiry of the Trademark Licence Agreement, the Company and COLI entered into the New Trademark Licence Agreement for a term commencing from 1 April 2014 and ending on 31 March 2017. The royalty payable in arrears by the Company under the New Trademark Licence Agreement is one per cent of the Group's audited annual consolidated turnover for each financial year ending on 31 December 2014, 2015 and 2016 respectively provided that the royalty payable for each of the 12-month period between 1 April 2014 and 31 March 2017 shall not exceed HK$250 million.

COLI is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the enterings into the Trademark Licence Agreement and the New Trademark Licence Agreement constitute continuing connected transactions of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(a) Continuing Connected Transactions (Continued)

(3) New Property Lease Agreements with 北京中海金石房地產開發有限公司 (Beijing Zhonghai King Stone Real Estate Development Co., Ltd.) and 北京嘉益德房地產開發有限公司 (Beijing Jia Yi De Real Estate Development Co., Ltd.*) (collectively, referred to as the "Tenants")*

As disclosed in the Company's announcement of 2 August 2011, 北京中京藝苑置業有限公司(Beijing Zhong Jing Yi Yuan Zhi Ye Company Limited*) (the "Landlord"), a subsidiary of the Company, leased the following premises pursuant to the property lease agreement to COLI's subsidiaries for the period from 1 August 2011 to 31 July 2014 and the rent payable for each of the 12-month period was RMB12,477,000. Upon expiry of the property lease agreement, on 1 August 2014, the Landlord has entered into the New Property Lease Agreements with the Tenants respectively for a term of three years commencing from 1 August 2014 and ending on 31 July 2017, and the principal terms of the New Property Lease Agreements are set out below:

Address of premises	Area of premises	Use	Annual Rent and Cap	Lease Term
22nd Floor, China Overseas International Center, No. 28 Pinganlixi Avenue, Xicheng District, Beijing	2,355.22 sq.m.	Office	RMB9.327 million or RMB777,223 per month. The rent is payable quarterly.	1 August 2014 to 31 July 2017
Units 01, 02, 03 & 09, 23rd Floor, China Overseas International Center, No. 28 Pinganlixi Avenue, Xicheng District, Beijing	1,181.2 sq.m.	Office	RMB4.678 million or RMB389,796 per month. The rent is payable quarterly.	1 August 2014 to 31 July 2017
			Annual Cap: RMB14.005 million	

Since the Tenants are subsidiaries of COLI, a controlling shareholder of the Company, they are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the enterings into the Property Lease Agreements and New Property Lease Agreements constitute continuing connected transactions of the Company.

(4) Framework Agreement with 中海物業管理有限公司 (China Overseas Property Management Co., Ltd.) ("COPM")*

On 3 August 2011, the Company and COPM (a subsidiary of COLI) entered into the Framework Agreement, whereby the Company and its subsidiaries may engage COPM group as property manager in the PRC upon successful tender for a term of three years commencing from 3 August 2011 and ending on 31 July 2014 provided that the total management fee payable under the Framework Agreement for the period from 3 August 2011 to 31 July 2012 and for each of the 12-month period between 1 August 2012 and 31 July 2014 shall not exceed RMB25.2 million, RMB33.6 million and RMB33.0 million respectively.

DIRECTORS' REPORT *(CONTINUED)*

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(a) Continuing Connected Transactions (Continued)

(4) Framework Agreement with 中海物業管理有限公司 (China Overseas Property Management Co., Ltd.) ("COPM") (Continued)*

COPM is one of the subsidiaries of COLI, a controlling shareholder of the Company, COPM is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Framework Agreement constitutes a continuing connected transaction of the Company.

(b) Connected Transactions

(1) Acquisition of Equity Interest in 北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited) ("BHPD")*

On 13 October 2014, 北京中海宏洋地產有限公司 (the "Beijing COGO", an indirect wholly-owned subsidiary of the Company) and 北京世紀恒信咨詢有限責任公司 (the "Seller") entered into an equity transfer agreement pursuant to which Beijing COGO acquired 10% equity interest in BHPD from the Seller for a consideration of approximately RMB10.81 million. Upon completion of the equity acquisition, the Group's equity interest in BHPD increased from 80% to 90%.

As the Seller is a substantial shareholder of BHPD by virtue of holding 10% equity interest in BHPD immediately before the equity acquisition, it is a connected person of the Company and the transaction contemplated under the equity transfer agreement constitutes a connected transaction of the Company under the Listing Rules.

(2) Acquisition of Equity Interest in 中海宏洋地產（銀川）有限公司 (China Overseas Grand Oceans Group Co., Ltd. (YinChuan)) ("Yin Chuan")*

On 11 December 2014, 深圳市建地投資有限公司 (Shen Zhen Jiandi Investments Limited*) (the "Purchaser", an indirect wholly-owned subsidiary of the Company) and 石嘴山市鼎銀投資有限公司 (Shi Zui Shan Ding Yin Investment Co., Ltd.*) ("Seller A") and 錫華實業投資集團有限公司 (Xihua Shiye Investment Group Limited*) ("Seller B") entered into an equity transfer agreement pursuant to which the Purchaser acquired 10% equity interest in Yin Chuan from Seller A for a consideration of RMB84 million and 5% from Seller B for a consideration of RMB42 million. The total consideration payable under the equity transfer agreement was approximately RMB126 million.

As Seller A and Seller B are the substantial shareholders of Yin Chuan by virtue of holding 10% or more equity interest in Yin Chuan immediately before the equity acquisition, they are the connected persons of the Company and the transaction contemplated under the equity transfer agreement constitutes a connected transaction of the Company under the Listing Rules.

* *English translation is for identification only.*

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

The independent non-executive Directors have reviewed the above continuing connected transactions during the year and confirmed that the transactions were entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms and no less favourable than those available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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 an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 40 to 42 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the requirements set out in Chapter 14A of the Listing Rules.

INTEREST IN CONTRACTS OF SIGNIFICANCE

The transaction sets out in paragraphs (a)(1), (2) and (4) of the section "Connected Transactions Entered Into By The Group" above are considered contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 15 March 2012, the Company entered into a letter of credit facility agreement (the "Letter of Credit Facility Agreement") in relation to the standby letter of credit issued to the trustee in an amount up to HK$2,235,000,000 as part of the credit-enhancement or guarantee arrangement for the Convertible Bonds. Subject to certain exceptions, the standby letter of credit shall expire on the date falling three years and thirty days after 21 March 2012.

The Letter of Credit Facility Agreement includes, inter alia, covenants to the effect that COLI shall beneficially own not less than 30% of the number of shares of the Company in issue. A breach of such covenants will constitute an event of default under the Letter of Credit Facility Agreement.

On 23 January 2014, the Company entered into a trust deed in relation to the issuance of the Guaranteed Notes. Under the trust deed, the holders of the Notes shall have the right, at their option, to require the Company to redeem all, or some only, of their Notes at their principal amount together with accrued interest following the occurrence of several events which include that COLI ceases to hold at least 30% of the voting rights of the number of shares of the Company in issue.

On 20 January 2015, the Company entered into a facility letter (the "Facility Letter") with DBS Bank Ltd., Hong Kong Branch (the "Lender"), pursuant to which a term loan facility of up to HK$2,200,000,000 (the "Facility") has been granted to the Company for a period of one year from the date of the first drawing under the Facility. Pursuant to the Facility Letter, it will be an event of default if (i) COLI, the controlling shareholder of the Company owns, directly or indirectly, less than 30% of the total number of shares of the Company in issue; and (ii) COLI ceases to maintain a controlling position in the board of directors of the Company. The Lender is entitled to declare that the Facility shall be cancelled and all outstanding amounts (including principal and interest) due or owing by the Company to the Lender under the Facility Letter shall become immediately due and payable.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES (CONTINUED)

As at the date of this annual report, COLI owns approximately 37.98% of the total number of shares of the Company in issue.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its 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.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2014, sales to the Group's five largest customers together represented less than 30% of the Group's total turnover and purchases from the Group's five largest suppliers together represented less than 30% of the Group's total purchases.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being no less than 25% of the total number of shares of the Company in issue as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 have been audited by BDO Limited who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Hao Jian Min
Chairman and Non-executive Director

Hong Kong, 23 March 2015

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of China Overseas Grand Oceans Group Limited
中國海外宏洋集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Grand Oceans Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 47 to 132, 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, Cap. 32 by operation of the transitional and saving provisions in Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622, 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. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, Cap. 32 by operation of the transitional and saving provisions set out in Section 80 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622, 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.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

AUDITOR'S RESPONSIBILITY (CONTINUED)

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.

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, Cap. 32.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 23 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	5	**13,981,328**	15,905,893
Cost of sales and services provided		**(10,617,440)**	(10,653,416)
Gross profit		**3,363,888**	5,252,477
Other income	7	**77,918**	90,668
Distribution and selling expenses		**(338,540)**	(254,960)
Administrative expenses		**(445,456)**	(417,498)
Other operating expenses		**(689)**	(650)
Other gains			
Fair value gain on reclassification of inventories of properties to investment properties	15(a)	**–**	109,238
Fair value gain on investment properties	15(b)	**30,028**	366,386
Gain on disposal of an investment property		**–**	28
Operating profit		**2,687,149**	5,145,689
Finance costs	9	**(22,314)**	(19,480)
Share of results of joint ventures		**3,639**	17,588
Profit before income tax	8	**2,668,474**	5,143,797
Income tax expense	10	**(1,222,494)**	(1,761,144)
Profit for the year		**1,445,980**	3,382,653
Profit for the year attributable to:			
Owners of the Company	11	**1,267,402**	3,136,038
Non-controlling interests		**178,578**	246,615
		1,445,980	3,382,653

		HK Cents	HK Cents
Earnings per share	13		
Basic		**55.5**	137.4
Diluted		**50.6**	123.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**1,445,980**	3,382,653
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of overseas operations		
— subsidiaries	**(45,891)**	475,425
— joint ventures	**(319)**	2,751
Other comprehensive income for the year, net of tax	**(46,210)**	478,176
Total comprehensive income for the year	**1,399,770**	3,860,829
Total comprehensive income attributable to:		
Owners of the Company	**1,225,822**	3,589,645
Non-controlling interests	**173,948**	271,184
	1,399,770	3,860,829

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	15	**3,032,606**	3,012,622
Property, plant and equipment	16	**48,055**	49,296
Prepaid lease rental on land	17	**5,203**	5,400
Intangible assets	18	**23,345**	28,356
Interests in joint ventures	20	**103,672**	99,577
Deferred tax assets	31	**205,781**	226,387
		3,418,662	3,421,638
Current assets			
Inventories of properties	21	**34,010,630**	23,204,257
Other inventories	22	**620**	806
Trade and other receivables, prepayments and deposits	23	**6,142,568**	7,034,976
Prepaid lease rental on land	17	**179**	179
Amounts due from non-controlling interests	25	**82,631**	40,295
Tax prepaid		**243,208**	30,312
Restricted cash and deposits	26	**2,584,487**	2,073,651
Cash and bank balances	26	**8,825,281**	7,195,114
		51,889,604	39,579,590
Current liabilities			
Trade and other payables	27	**8,710,603**	5,486,261
Sales deposits received		**8,978,024**	6,476,582
Amounts due to non-controlling interests	25	**1,027,229**	849,064
Convertible bonds — liability component	29	**1,820,403**	–
Taxation liabilities		**1,697,766**	1,935,527
Borrowings	28	**4,132,040**	2,961,185
		26,366,065	17,708,619
Net current assets		**25,523,539**	21,870,971
Total assets less current liabilities		**28,942,201**	25,292,609

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Borrowings	28	**11,465,350**	9,981,497
Convertible bonds — liability component	29	**–**	1,731,858
Guaranteed notes payable	30	**3,128,825**	–
Deferred tax liabilities	31	**1,375,657**	1,307,590
		15,969,832	13,020,945
Net assets		**12,972,369**	12,271,664
Capital and reserves			
Share capital	32	**2,144,018**	22,822
Other reserves	33	**2,138,643**	4,149,799
Retained profits	33	**7,995,772**	6,995,269
Proposed dividend	12	**22,822**	136,934
Equity attributable to owners of the Company		**12,301,255**	11,304,824
Non-controlling interests	34	**671,114**	966,840
Total equity		**12,972,369**	12,271,664

Zhang Guiqing
Director

Wang Man Kwan, Paul
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**2,524**	3,374
Interests in subsidiaries	19	**1,944,077**	1,944,077
		1,946,601	1,947,451
Current assets			
Other receivables, prepayments and deposits	23	**16**	31
Amounts due from subsidiaries	24	**15,509,153**	11,442,980
Cash and bank balances	26	**238,845**	18,994
		15,748,014	11,462,005
Current liabilities			
Other payables and accruals	27	**75,024**	56,579
Amounts due to subsidiaries	24	**4,917,719**	2,238,114
Borrowings	28	**2,050,100**	570,000
		7,042,843	2,864,693
Net current assets		**8,705,171**	8,597,312
Total assets less current liabilities		**10,651,772**	10,544,763
Non-current liabilities			
Borrowings	28	**8,022,640**	7,593,990
Net assets		**2,629,132**	2,950,773
Capital and reserves			
Share capital	32	**2,144,018**	22,822
Other reserves	33	**–**	2,121,196
Retained profits	33	**462,292**	669,821
Proposed dividend	12	**22,822**	136,934
Total equity		**2,629,132**	2,950,773

Zhang Guiqing
Director

Wang Man Kwan, Paul
Director

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$'000	Convertible bonds equity reserve* HK$'000	Translation reserve* HK$'000	Assets revaluation reserve* HK$'000	Statutory reserve* HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	22,822	1,906,373	44,822	581,196	410,711	33,893	347,513	154,345	4,464,550	7,966,225	642,873	8,609,098
Net profit for the year	–	–	–	–	–	–	–	–	3,136,038	3,136,038	246,615	3,382,653
Exchange difference arising from translation of overseas operations												
— subsidiaries	–	–	–	–	450,856	–	–	–	–	450,856	24,569	475,425
— a joint venture	–	–	–	–	2,751	–	–	–	–	2,751	–	2,751
Total comprehensive income for the year	–	–	–	–	453,607	–	–	–	3,136,038	3,589,645	271,184	3,860,829
Transfer to PRC statutory reserve	–	–	–	–	–	–	219,483	–	(219,483)	–	–	–
Reclassification from assets revaluation reserve to retained profits upon disposal of an investment property	–	–	–	–	–	(2,144)	–	–	2,144	–	–	–
2012 final dividend paid *(note 12(b))*	–	–	–	–	–	–	–	–	(136,934)	(136,934)	–	(136,934)
2013 interim dividend declared *(note 12(a))*	–	–	–	–	–	–	–	–	(114,112)	(114,112)	–	(114,112)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(26,305)	(26,305)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	79,088	79,088
Transactions with owners	–	–	–	–	–	–	–	–	(251,046)	(251,046)	52,783	(198,263)
At 31 December 2013 and 1 January 2014	**22,822**	**1,906,373**	**44,822**	**581,196**	**864,318**	**31,749**	**566,996**	**154,345**	**7,132,203**	**11,304,824**	**966,840**	**12,271,664**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,267,402**	**1,267,402**	**178,578**	**1,445,980**
Exchange difference arising from translation of overseas operations												
— subsidiaries	**–**	**–**	**–**	**–**	**(41,261)**	**–**	**–**	**–**	**–**	**(41,261)**	**(4,630)**	**(45,891)**
— joint ventures	**–**	**–**	**–**	**–**	**(319)**	**–**	**–**	**–**	**–**	**(319)**	**–**	**(319)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(41,580)**	**–**	**–**	**–**	**1,267,402**	**1,225,822**	**173,948**	**1,399,770**
Transfer to PRC statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**135,964**	**–**	**(135,964)**	**–**	**–**	**–**
Transfer upon abolition of nominal value of shares on 3 March 2014 *(notes 32 and 33)*	**2,121,196**	**(1,906,373)**	**(44,822)**	**–**	**–**	**–**	**–**	**(154,345)**	**(15,656)**	**–**	**–**	**–**
2013 final dividend paid *(note 12(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(136,934)**	**(136,934)**	**–**	**(136,934)**
2014 interim dividend declared *(note 12(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(91,290)**	**(91,290)**	**–**	**(91,290)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(298,221)**	**(298,221)**
Acquisitions of non-controlling interests *(note 36)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,167)**	**(1,167)**	**(171,453)**	**(172,620)**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(229,391)**	**(229,391)**	**(469,674)**	**(699,065)**
At 31 December 2014	**2,144,018**	**–**	**–**	**581,196**	**822,738**	**31,749**	**702,960**	**–**	**8,018,594**	**12,301,255**	**671,114**	**12,972,369**

* The total of these equity accounts as at the reporting date represents "other reserves" in the consolidated statement of financial position

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$'000	2013 HK$'000 (Restated)
Operating activities		
Profit before income tax	**2,668,474**	5,143,797
Adjustments for:		
Share of results of joint ventures	**(3,639)**	(17,588)
Fair value gain on reclassification of inventories of properties to investment properties	**–**	(109,238)
Fair value gain on investment properties	**(30,028)**	(366,386)
Gain on disposal of an investment property	**–**	(28)
Gain on disposal of property, plant and equipment	**–**	(59)
Depreciation and amortization	**17,005**	16,623
Write-off of property, plant and equipment	**7**	9
Interest income	**(65,943)**	(81,018)
Finance costs	**22,314**	19,480
Exchange difference	**(3,557)**	(15,681)
Operating cash flows before movements in working capital	**2,604,633**	4,589,911
Increase in inventories of properties	**(9,866,627)**	(4,638,645)
Decrease in other inventories	**182**	184
Decrease/(Increase) in trade and other receivables, prepayments and deposits	**871,085**	(4,122,882)
Decrease in amounts due from a joint venture	**–**	46,346
Increase in amounts due from non-controlling interests	**(42,275)**	(18,824)
Increase in restricted cash and deposits	**(514,985)**	(192,555)
Increase in trade and other payables	**3,215,534**	1,307,030
Increase/(Decrease) in sales deposits received	**2,518,998**	(792,978)
Cash used in operations	**(1,213,455)**	(3,822,413)
Income taxes paid	**(1,572,946)**	(1,801,843)
Net cash used in operating activities	**(2,786,401)**	(5,624,256)
Investing activities		
Proceeds from disposal of an investment property	**–**	5,047
Proceeds from disposal of property, plant and equipment	**–**	59
Interest received	**65,943**	81,493
Purchase of property, plant and equipment	**(10,852)**	(12,394)
Decrease/(Increase) in short-term time deposits with maturity beyond three months but within one year	**87,324**	(100,208)
Net cash generated from/(used in) investing activities	**142,415**	(26,003)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Financing activities			
New bank borrowings	28	**5,088,746**	10,178,693
Repayment of bank borrowings	28	**(2,423,134)**	(2,853,335)
Issue of guaranteed notes	30	**3,049,165**	–
Dividends paid		**(228,224)**	(251,046)
Dividends paid to non-controlling interests		**(298,221)**	(26,305)
Finance costs paid		**(816,762)**	(583,892)
Contributions from non-controlling interests		**–**	79,088
Acquisition of non-controlling interests	36	**(13,645)**	–
Increase in amounts due to non-controlling interests		**21,218**	24,556
Net cash generated from financing activities		**4,379,143**	6,567,759
Net increase in cash and cash equivalents		**1,735,157**	917,500
Cash and cash equivalents at 1 January		**7,093,362**	5,982,086
Effect of foreign exchange rate changes on cash and cash equivalents		**(16,914)**	193,776
Cash and cash equivalents at 31 December		**8,811,605**	7,093,362
Analysis of balances of cash and cash equivalents:			
Cash and bank balances as stated in the consolidated statement of financial position		**8,825,281**	7,195,114
Less: Short-term time deposits with maturity beyond three months but within one year	26(c)	**(13,676)**	(101,752)
Cash and cash equivalents at 31 December		**8,811,605**	7,093,362

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the "Company") is a limited liability company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Unit 6703, Level 67, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") mainly comprise property investment and development, property leasing and investment holding. The Group's business activities are principally carried out in certain regions in the PRC such as Changzhou, Ganzhou, Hefei, Lanzhou, Nanning, Yancheng, Yangzhou and Yinchuan.

The Company is an associated company of China Overseas Land & Investment Limited ("COLI"). COLI is a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC.

The financial statements on pages 47 to 132 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for the financial year and the comparative period continue to be those of the Hong Kong Companies Ordinance, Cap. 32, in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance, Cap. 622 "Accounts and Audit" which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors (the "Board") on 23 March 2015.

2. ADOPTION OF NEW OR REVISED HKFRSs

2.1 Adoption of new or revised HKFRSs — effective 1 January 2014

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
HK (IFRIC) 21	Levies

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit to those periods in which an impairment loss has been recognized or reversed, and expand the disclosures where the recoverable amount of impaired assets or cash generating units has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The adoption of the amendments has no material impact on these financial statements.

HK (IFRIC) 21 Levies

HK (IFRIC) 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no material impact on these financial statements.

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

2.2 New or revised HKFRSs that have been issued but not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 *Effective for annual periods beginning on or after 1 July 2014*
2 *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*
3 *Effective for annual periods beginning on or after 1 January 2016*
4 *Effective for annual periods beginning on or after 1 January 2017*
5 *Effective for annual periods beginning on or after 1 January 2018*

Annual Improvements 2010–2012 Cycle, 2011–2013 Cycle and 2012–2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognized when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognized in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognized only to the extent of the unrelated investors' interests in the joint venture or associate.

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

2.2 New or revised HKFRSs that have been issued but not yet effective (Continued)

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Options

The amendments require an entity to apply all of the principles of HKFRS 3 *Business Combinations* when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortized cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognized in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

2.2 New or revised HKFRSs that have been issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognize revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs.

2.3 New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair value. The measurement basis are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

The directors have revisited the nature of the restricted cash and deposits and consider that it is more appropriate to classify the cash flows of such item under operating activities in the statement of cash flows. Accordingly, the comparative consolidated statement of cash flows has been restated to reclassify the cash flows of restricted cash and deposits from investing activities to operating activities.

3.2 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (note 3.3) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealized gains and losses on transactions within the Group are eliminated on consolidation. Unrealized losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. If the business combination is achieved in stage, the Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognized in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by another HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognized at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration are recognized against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent changes to contingent consideration classified as an asset or a liability are recognized in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill arising on business combination is measured according to the policies in note 3.5.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest, and also the cumulative translation differences recorded in equity. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

— power over the investee;

— exposure, or rights, to variable returns from the investee; and

— the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Subsidiaries (Continued)

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

— joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

— the structure of the joint arrangement;

— the legal form of joint arrangements structured through a separate vehicle;

— the contractual terms of the joint arrangement agreement; and

— any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognized at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognized unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint venture are recognized only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealized losses provide evidence of impairment of the asset transferred they are recognized immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint operations are accounted for by recognizing the Group's share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries and joint ventures represents the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree, over the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognized in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of joint ventures, goodwill is included in the carrying amount of the interests in joint ventures rather than recognized as a separate asset in the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.11). Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.6 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognized immediately in profit or loss.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognized in profit or loss. Rental income from investment properties is accounted for as described in note 3.28(iii).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.11).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of each item of property, plant and equipment less its estimated residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	*Annual rates*
Land and buildings (note 3.10)	2% to 5%
Leasehold improvements	Over the shorter of the lease terms or 5 years
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 25%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognized in profit or loss.

3.9 Intangible assets (Other than goodwill)

Intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are amortized over the estimated useful life and assessed for impairment (note 3.11) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortized but reviewed for impairment at least annually (note 3.11) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Shopping mall operating right

Shopping mall operating right represents the right of operating a shopping mall. Cost incurred in the acquisition of the right is carried at cost less any impairment losses and is amortized over the period of operation of 30 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased out by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms.

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortization and any impairment losses. Amortization is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for sale in ordinary course of business, the leasehold land component is included in properties under development or properties held for sale. During the development period of such properties, the amortization charge of the prepaid land lease is capitalized as part of the building costs but charged to profit or loss on completion of development of such properties.

3.11 Impairment of non-financial assets

Goodwill, intangible assets, property, plant and equipment, prepaid lease rental on land and investments in subsidiaries and joint ventures are subject to impairment testing. Goodwill and intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of non-financial assets (Continued)

Impairment losses recognized for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognized in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.12 Investments and other financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

Regular way purchases and sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales of financial assets are purchases or sales of financial assets under a contract whose terms require delivery of assets within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognized initially, they are measured at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables

Financial assets of the Group and the Company are classified as loans and receivables. Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

— significant changes in the technological, financial market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognized in profit or loss of the period in which the impairment occurs. The carrying amount of loans and receivables is reduced through the use of an allowance account. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss of the period in which the reversal occurs.

3.14 Inventories of properties

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventories of properties consist of land held under operating lease (note 3.10), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.16 Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates ruling at the end of the reporting period are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of each reporting period are translated into HK$ at exchange rate prevailing at the end of each reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the Group's translation reserve. Such translation differences are recognized in profit or loss in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in the translation reserve.

3.17 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the presentation purpose of the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.18 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (Continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognized assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realized or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 *Investment Property*. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries 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.

Income taxes are recognized in profit or loss except when they relate to items recognized in other comprehensive income in which case the taxes are also recognized in other comprehensive income or when they relate to items recognized directly in equity in which case the taxes are also recognized directly in equity.

3.19 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 be ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when 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 capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

3.20 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognized when the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract. All interest related charges are recognized in accordance with the Group's accounting policy for borrowing costs (note 3.19). A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Financial liabilities (Continued)

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Financial liabilities at amortized costs

Borrowings including liability component of convertible bonds (note 3.21) and guaranteed notes issued on 23 January 2014 (note 30) and trade and other payables including amounts due to related parties are financial liabilities at amortized cost which are recognized initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

3.21 Convertible bonds

The convertible bonds of HK$2,200 million issued by the Group on 21 March 2012 (note 29) that can be converted to equity share capital at the option of the bondholders, where the number of shares that would be issued on conversion and the value of consideration would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond containing derivative features where applicable. The equity component of the convertible bonds is then the residual after deducting the fair value of the liability component from the proceeds from the issue of the convertible bonds.

The liability component is subsequently measured at amortized cost using the effective interest method until extinguished on conversion or redemption. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (note 3.19). The equity component is recognized in convertible bonds equity reserve until either the convertible bonds are converted or redeemed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Convertible bonds (Continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period using the effective interest method.

3.22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) 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 terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 3.25 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognized less accumulated amortization, where appropriate.

3.23 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognized in the year when the employees render the related service.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognized as an expense in profit or loss when the services are rendered by the employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Share-based payment transactions

The Group operates equity-settled share-based compensation plans as part of the remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instruments at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognized as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In respect of share options, the fair value of the share options granted by the Group to its employees is recognized in profit or loss with a corresponding increase in share-based payment reserve. Upon exercise of the share options, the amount in the share-based payment reserve is transferred to the share capital. In case the share options lapsed, the amount in the share-based payment reserve is released directly to retained profits.

3.25 Provisions and contingent liabilities

Provision is recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.26 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognized as a liability. Interim dividends are simultaneously proposed and declared and consequently, are recognized immediately as a liability when they are proposed and declared.

3.28 Recognition of revenue and other income

Revenue and other income are recognized when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably on the following basis:

(i) Sale of properties is recognized as revenue when all of the following criteria are met:

— the significant risks and rewards of ownership of the properties are transferred to buyers;

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

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

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of properties is usually taken at the time when the construction of the respective properties has been completed and the properties have been delivered to the buyers.

Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position as sales deposits received under current liabilities.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iii) Rental income is recognized on a straight-line basis over the periods of the respective tenancies.

(iv) Building management and service fee income are recognized on an appropriate basis over the relevant period in which the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) The party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third party and the other party is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.30 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial period are discussed below:

Fair value of investment properties

As disclosed in note 15, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the estimates, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Please refer to note 15 for more detailed information in relation to fair value measurement of investment properties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Key sources of estimation uncertainty (Continued)

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including current creditworthiness and the past collection history of each customer or debtor. If the financial conditions of the customers or debtors deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Net realisable value of inventories of properties

Include in the consolidated statement of financial position at 31 December 2014 is inventories of properties with an aggregate carrying amount of approximately HK$34,010,630,000 (2013: HK$23,204,257,000), which have to be stated at lower of cost and net realisable value. Management determines the net realisable value of the underlying properties which involves, inter-alia, considerable estimation based on analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales taking into account economic factors and new government measures. If the net realisable values of the underlying properties are more or less than the previous estimation as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of allowance or allowance for inventories of properties may result.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation, particularly for PRC land appreciation tax ("LAT"), and implementation of these taxes varies amongst various PRC cities. The Group has not finalized its LAT calculation and payments with certain local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of the land appreciation and its related LAT. The Group recognized income tax and LAT based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalized with the local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying accounting policies

Revenue recognition

The Group recognizes revenue from the sale of properties held for sale as disclosed in note 3.28(i). The assessment of when an entity has transferred the significant risks and rewards of ownership associated with the properties to buyers requires the examination of the circumstances of the transactions.

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

Joint arrangement

As at 31 December 2014, the Group holds certain percentage of the registered capital/paid up capital and voting rights of certain joint arrangements. The contractual arrangements confer joint control over the relevant activities of the joint arrangements to the Group and at least one other party. In addition, the joint arrangements are structured as limited companies and provide the Group and the parties to the arrangements with rights to the net assets of the limited companies under the arrangements. Therefore, based on the judgement of the management, these arrangements are classified as joint ventures. Further details of the Group's joint arrangements are set out in note 20.

5. REVENUE

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognized during the year is as follows:

	2014 HK$'000	2013 HK$'000
Sales of properties	**13,660,341**	15,680,986
Property rental income	**193,345**	134,913
Property management fee income	**127,642**	89,994
Total revenue	**13,981,328**	15,905,893

6. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Property investment and development	—	This segment constructs residential and commercial properties in the PRC.
Property leasing	—	This segment holds commercial units located in the PRC for leasing to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a joint venture.
Other segment	—	This segment provides management services to certain housing estate in the PRC and generates management fee income.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between different operating segments for the years ended 31 December 2014 and 2013. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's joint venture. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain cash and bank balances and other assets which are not directly attributable to the business activities of the operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to non-controlling interests and other liabilities directly attributable to the business activities of the operating segments and exclude tax liabilities, corporate liabilities and liabilities such as bank borrowings, the liability component of the convertible bonds and guaranteed notes payable that are managed on a group basis.

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reporting segment revenue, segment profit/(loss), segment assets, segment liabilities, reconciliations to revenue, profit before income tax, total assets, total liabilities and other segment information are as follows:

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Consolidated HK$'000
For the year ended 31 December 2014				
Reportable segment revenue	**13,660,341**	**193,345**	**127,642**	**13,981,328**
Reportable segment profit/(loss)	**2,565,298**	**187,181**	**(9,445)**	**2,743,034**
Corporate income				**3,846**
Corporate expenses				**(78,406)**
Profit before income tax				**2,668,474**
As at 31 December 2014				
Reportable segment assets	**51,228,784**	**3,278,762**	**105,525**	**54,613,071**
Tax assets				**448,989**
Corporate assets				**246,206**
Total consolidated assets				**55,308,266**
As at 31 December 2014				
Reportable segment liabilities	**18,411,656**	**109,584**	**119,490**	**18,640,730**
Tax liabilities				**3,073,423**
Borrowings				**15,597,390**
Convertible bonds — liability component				**1,820,403**
Guaranteed notes payable				**3,128,825**
Corporate liabilities				**75,126**
Total consolidated liabilities				**42,335,897**
For the year ended 31 December 2013				
Reportable segment revenue	15,680,986	134,913	89,994	15,905,893
Reportable segment profit	4,622,739	588,575	890	5,212,204
Corporate income				349
Corporate expenses				(68,756)
Profit before income tax				5,143,797
As at 31 December 2013				
Reportable segment assets	39,223,018	3,379,725	98,489	42,701,232
Tax assets				256,699
Corporate assets				43,297
Total consolidated assets				43,001,228
As at 31 December 2013				
Reportable segment liabilities	12,599,377	100,862	79,217	12,779,456
Tax liabilities				3,243,117
Borrowings				12,942,682
Convertible bonds — liability component				1,731,858
Corporate liabilities				32,451
Total consolidated liabilities				30,729,564

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information					
For the year ended 31 December 2014					
Interest income	**60,438**	**1,066**	**593**	**3,846**	**65,943**
Depreciation and amortization	**9,000**	**6,096**	**639**	**1,270**	**17,005**
Fair value gain on investment properties	**–**	**30,028**	**–**	**–**	**30,028**
Share of results of joint ventures	**–**	**3,639**	**–**	**–**	**3,639**
Additions to specified non-current assets#	**7,971**	**–**	**1,001**	**2,655**	**11,627**
Write-off of property, plant and equipment	**7**	**–**	**–**	**–**	**7**
As at 31 December 2014					
Interests in joint ventures	**–**	**102,897**	**–**	**775**	**103,672**
For the year ended 31 December 2013					
Interest income	76,131	3,978	587	322	81,018
Depreciation and amortization	8,855	6,159	606	1,003	16,623
Fair value gain on reclassification of inventories of properties to investment properties	–	109,238	–	–	109,238
Fair value gain on investment properties	–	366,386	–	–	366,386
Gain on disposal of an investment property	–	28	–	–	28
Gain on disposal of property, plant and equipment	59	–	–	–	59
Share of result of a joint venture	–	17,588	–	–	17,588
Additions to specified non-current assets#	10,708	533	913	240	12,394
Write-off of property, plant and equipment	9	–	–	–	9
As at 31 December 2013					
Interests in a joint venture	–	99,577	–	–	99,577

Including additions to the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets and interests in joint ventures (i.e. "specified non-current assets") but exclude transfer from inventories of properties

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

All of the Group's revenue is derived from activities in the PRC (other than Hong Kong). Accordingly, no analysis of the Group's revenue by geographical locations is presented.

An analysis of the Group's specified non-current assets by geographical locations, determined based on physical location of the assets or location of operations in case of interests in joint ventures, is as follows:

	2014 HK$'000	2013 HK$'000
Hong Kong	**5,111**	3,725
Other regions of the PRC	**3,207,770**	3,191,526
	3,212,881	3,195,251

Information about major customer

For the years ended 31 December 2014 and 2013, none of the customers individually contributed 10% or more of the Group's revenue for the respective years.

7. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income on:		
Bank deposits	**65,788**	71,024
Others	**155**	9,994
Total interest income on financial assets not at fair value through profit or loss	**65,943**	81,018
Sundry income	**11,975**	9,650
	77,918	90,668

8. PROFIT BEFORE INCOME TAX

	2014 HK$'000	2013 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	**178**	247
Intangible assets#	**4,892**	4,857
Depreciation of property, plant and equipment	**11,935**	11,519
Total amortization and depreciation	**17,005**	16,623
Remuneration to auditor for audit services*:		
— Current year	**1,850**	1,680
Cost of sales and services provided comprise:		
— Amount of inventories recognized as expense	**10,474,768**	10,557,947
Gain on disposal of property, plant and equipment	**–**	(59)
Net foreign exchange (gain)/loss	**(18,042)**	3,902
Operating lease charge on land and buildings	**17,398**	14,493
Outgoings in respect of:		
— investment properties	**27,707**	27,768
— others	**1,005**	1,067
	28,712	28,835
Net rental income from:		
— investment properties	**(152,709)**	(88,929)
— others	**(11,924)**	(17,149)
	(164,633)	(106,078)
Staff costs (note)	**373,667**	249,121
Write-off of property, plant and equipment	**7**	9
Business tax and other levies	**859,196**	969,293

included in "Cost of sales and services provided" in the consolidated income statement

* Fees for non-audit services rendered by the auditor amounted to HK$40,000 (2013: HK$520,000)

8. PROFIT BEFORE INCOME TAX (CONTINUED)

Note:

Staff costs (including directors' emoluments) comprise:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and other benefits	**364,230**	239,510
Retirement fund contributions (note 37)	**9,437**	9,611
	373,667	249,121

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest charges on:		
Bank borrowings, overdrafts and other loans		
— wholly repayable within five years	**644,065**	494,822
— not wholly repayable within five years	**25,491**	16,033
Imputed interest expense on convertible bonds (note 29)	**160,483**	153,252
Imputed interest expense on guaranteed notes payable (note 30)	**159,098**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**989,137**	664,107
Less: Amount capitalized (note (b))	**(966,823)**	(644,627)
	22,314	19,480

Notes:

(a) The analysis shows the finance costs of bank and other borrowings, including term loans which contain repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements or the repayment schedules agreed with the banks. For the year ended 31 December 2014, interest on bank borrowings which contain repayment on demand clause amounted to approximately HK$74,000 (2013: HK$12,000).

(b) Borrowing costs capitalized under general borrowing pool are calculated by applying an average capitalization rate of 4.74% (2013: 4.87%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Income tax expense comprises:		
Current tax for the year		
Hong Kong profits tax	–	–
Other regions of the PRC		
— Enterprise income tax ("EIT")	**699,106**	1,047,681
— LAT	**418,739**	935,267
	1,117,845	1,982,948
Under/(Over) provision in prior years		
Other regions of the PRC	**12,391**	(97,050)
Deferred tax (note 31)	**92,258**	(124,754)
	1,222,494	1,761,144

For the year ended 31 December 2014, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profit in Hong Kong for the year (2013: nil).

EIT arising from other regions of the PRC is calculated at 25% (2013: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 50% (2013: 30% to 50%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before income tax at applicable tax rates as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**2,668,474**	5,143,797
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**710,756**	1,311,573
Expenses not deductible for tax purpose	**108,901**	40,322
Income not taxable for tax purpose	**(8,089)**	(15,392)
Share of results of joint ventures	**(910)**	(4,806)
LAT deductible for calculation of income tax	**(104,685)**	(233,817)
Utilization of tax losses previously not recognized	**(7,066)**	(19,784)
Tax losses not recognized	**11,019**	16,556
Under/(Over) provision in prior years	**12,391**	(97,050)
Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiaries	**123,800**	(24,040)
Others	**4,572**	6,693
	850,689	980,255
LAT	**371,805**	780,889
Income tax expense	**1,222,494**	1,761,144

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Among the consolidated profit attributable to owners of the Company of HK$1,267,402,000 (2013: HK$3,136,038,000), a loss of HK$93,417,000 (2013: HK$74,616,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year:

	2014 HK$'000	2013 HK$'000
Interim dividend — HK$0.04 (2013: HK$0.05) per ordinary share	**91,290**	114,112
Proposed final dividend — HK$0.01 (2013: HK$0.06) per ordinary share (note)	**22,822**	136,934
	114,112	251,046

Note:

The final dividend of HK$0.01 (2013: HK$0.06) per ordinary share, amounting to approximately HK$22,822,000 (2013: HK$136,934,000), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

12. DIVIDENDS (CONTINUED)

(b) Dividends payable to owners of the Company attributable to the previous financial year:

	2014 HK$'000	2013 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.06 (2013: HK$0.06) per ordinary share	**136,934**	136,934

13. EARNINGS PER SHARE

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

Earnings	2014 HK$'000	2013 HK$'000
Earnings used in calculating basic earnings per share	**1,267,402**	3,136,038
Adjustment to the profit of the Group attributable to imputed interest on convertible bonds	**20,164**	9,147
Earnings used in calculating diluted earnings per share	**1,287,566**	3,145,185

Weighted average number of ordinary shares	2014 '000	2013 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,282,240**	2,282,240
Effect of dilutive potential ordinary shares		
— issuance of shares for conversion of convertible bonds (note 29)	**263,347**	263,347
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,545,587**	2,545,587

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' remuneration disclosed pursuant to Section 78(1) of the Hong Kong Companies Ordinance Cap. 622 which requires compliance with Section 161 of the Hong Kong Companies Ordinance Cap. 32 is as follows:

Directors' emoluments

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Retirement Fund contribution HK$'000	Total HK$'000
For the year ended 31 December 2014					
Executive directors					
Mr. Chen Bin (note (a))	**–**	**1,835**	**4,800**	**19**	**6,654**
Mr. Zhang Guiqing (note (b))	**–**	**43**	**–**	**–**	**43**
Mr. Xiang Hong	**–**	**780**	**3,900**	**19**	**4,699**
Mr. Wang Man Kwan, Paul	**–**	**2,534**	**1,650**	**17**	**4,201**
Mr. Yang Hai Song	**630**	**–**	**–**	**–**	**630**
Non-executive directors					
Mr. Hao Jian Min	**1,200**	**–**	**–**	**–**	**1,200**
Mr. Yung Kwok Kee, Billy	**100**	**–**	**–**	**–**	**100**
Independent non-executive directors					
Dr. Chung Shui Ming, Timpson	**250**	**110**	**–**	**–**	**360**
Mr. Lam Kin Fung, Jeffrey	**250**	**110**	**–**	**–**	**360**
Mr. Lo Yiu Ching, Dantes	**250**	**–**	**–**	**–**	**250**
	2,680	**5,412**	**10,350**	**55**	**18,497**
For the year ended 31 December 2013					
Executive directors					
Mr. Chen Bin	–	1,908	5,949	19	7,876
Mr. Xiang Hong	–	780	4,835	19	5,634
Mr. Wang Man Kwan, Paul	–	2,410	1,650	15	4,075
Mr. Yang Hai Song	630	–	–	–	630
Non-executive directors					
Mr. Hao Jian Min	1,200	–	–	–	1,200
Mr. Yung Kwok Kee, Billy	100	–	–	–	100
Independent non-executive directors					
Dr. Chung Shui Ming, Timpson	250	110	–	–	360
Mr. Lam Kin Fung, Jeffrey	250	110	–	–	360
Mr. Lo Yiu Ching, Dantes	250	–	–	–	250
	2,680	5,318	12,434	53	20,485

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Notes:

(a) Mr. Chen Bin resigned as executive director with effect from 17 December 2014.

(b) Mr. Zhang Guiqing was appointed as executive director with effect from 17 December 2014.

There is no arrangement under which a director waived or agreed to waive any emoluments during year (2013: nil).

Five highest paid individuals

The five individuals with the highest emoluments in the Group include three (2013: three) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2013: two) highest paid individuals for the years ended 31 December 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and other benefits	**1,094**	1,269
Discretionary bonus	**6,400**	7,700
Retirement fund contributions	**38**	37
	7,532	9,006

Their emoluments were within the following bands:

	Number of individuals 2014	 2013
HK$3,000,001–HK$3,500,000	**1**	–
HK$4,000,001–HK$4,500,000	**1**	1
HK$4,500,001–HK$5,000,000	**–**	1

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2013: nil).

Senior management's emoluments

The emoluments paid or payable to members of senior management who are not directors of the Company, were within the following bands:

	Number of individuals 2014	 2013
HK$3,000,001–HK$3,500,000	**1**	–
HK$4,000,001–HK$4,500,000	**1**	1
HK$4,500,001–HK$5,000,000	**–**	1

15. INVESTMENT PROPERTIES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Fair value		
At 1 January	**3,012,622**	2,248,932
Translation adjustment	**(10,044)**	77,637
Disposal	**–**	(5,019)
Reclassification from inventories of properties (note (a))	**–**	324,686
Increase in fair value	**30,028**	366,386
At 31 December	**3,032,606**	3,012,622

The carrying amount of the Group's investment properties is analyzed as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
In other regions of the PRC, held under medium-term leases	**3,032,606**	3,012,622

Notes:

(a) During the year ended 31 December 2013, the Group reclassified certain inventories of properties with carrying value of HK$215,448,000 as investment properties and recognized fair value gain of HK$109,238,000 in profit or loss on the date of reclassification.

(b) The fair value of the investment properties as at 31 December 2014 and 2013 is a level 3 recurring fair value measurement, which uses significant unobservable inputs (i.e. inputs not derived from market data).

The fair value gain arising from remeasurement of the investment properties at 31 December 2014 amounting to HK$30,028,000 (2013: HK$366,386,000) and the fair value gain arising from reclassification of certain inventories of properties to investment properties during the year ended 31 December 2013 amounting to HK$109,238,000 represent unrealized gains relating to those investment properties held by the Group at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(c) The fair values of the Group's investment properties as at 31 December 2014 and 2013 have been determined with reference to the valuation carried out on those dates by Crowe Horwath (HK) Consulting & Valuation Limited and CBRE HK Limited, respectively, which are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby location.

Below is a summary of the valuation techniques used and the key inputs to the valuation:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs#	Relationship of unobservable inputs to fair value
China Overseas International Center*	Beijing	Direct comparison approach: — For office units, shops and car parks	Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units and shops: RMB39,153 to RMB54,872 per square meter ("sq. m.") (2013: RMB40,619 to RMB52,560 per sq. m.)	The higher the selling price per unit, the higher the fair value
				Car parks: RMB250,000 per unit (2013: RMB250,000 per unit)	
		Income approach: Term and reversionary approach — For office units and shops	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received	6.5%–7.3% (2013: 5%–8%)	The higher the term yield, the lower the fair value
			Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties	7.0%–7.8% (2013: 5%–8%)	The higher the reversionary yield, the lower the fair value
			Monthly rent, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	RMB350 to RMB360 per sq. m. (2013: RMB274 to RMB299 per sq. m.)	The higher the monthly rent, the higher the fair value
			Vacancy rate, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	5%–25% (2013: 5%–25%)	The higher the vacancy rate, the lower the fair value

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(c) (Continued)

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs#	Relationship of unobservable inputs to fair value
China Overseas Building No. 9 Office Building*	Jilin	Direct comparison approach: — For office units, shops and car parks (2013: For office units and shops)	Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units and shops: RMB6,689 to RMB8,218 per sq.m. (2013: RMB6,990 to RMB8,698 per sq. m.) Car parks: RMB70,677 per unit	The higher the selling price, the higher the fair value
		2014: Income approach: Term and reversionary approach — For office units and shops	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received	Office units: 9.5% Shops: 11%	The higher the term yield, the lower the fair value
			Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties	Office units: 10% Shops: 11.5%	The higher the reversionary yield, the lower the fair value
			Monthly rent, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units: RMB60 per sq. m. Shops: RMB84 per sq. m.	The higher the monthly rent, the higher the fair value
			Vacancy rate, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units and shops: 10%–20%	The higher the vacancy rate, the lower the fair value
		2013: Income approach: Direct capitalization approach — For office units, shops and car parks	Capitalization rate, take into account of the capitalization of rental income potential, nature of the property, prevailing market condition, etc.	Office units and shops: 6%–8% Car parks: 7%–9%	The higher the capitalization rate, the lower the fair value
			Monthly rent, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units and shops: RMB50 to RMB59 per sq. m. Car parks: RMB 68,421 per unit	The higher the monthly rent, the higher the fair value
			Vacancy rate, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units and shops: 10%–20% Car parks: 10%–20%	The higher the vacancy value, the lower the fair value

* comprise office units, shops and car parks

\# apply to office units and shops unless otherwise specified

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(c) (Continued)

The fair value measurements is based on the highest and best use of the investment properties, which does not differ from their actual use.

Under direct comparison approach, fair value is estimated by reference to the selling prices of comparable properties in close proximity which have been adjusted for differences in key attributes of the properties being valued and the comparable properties such as property age, size, characteristics and facilities.

Under income approach: term and reversionary approach, fair value is estimated by taking into account the current passing rents of the properties and the reversionary potentials of the tenancies.

Under income approach: direct capitalization approach, fair value is estimated by applying appropriate capitalization rate in converting rental income into capital value.

For China Overseas Building No. 9 Office Building, its fair value as at 31 December 2014 is determined based on direct comparison approach and income approach: term and reversionary approach while its fair value as at 31 December 2013 was determined based on direct comparison approach and income approach: direct capitalization approach. The change in valuation method under income approach was mainly due to more information regarding current rent is available as a result of entering into more tenancy agreements in the year.

The fair value of the investment properties is arrived at by applying a weighting to the fair values determined under the two approaches as mentioned above. In determining a suitable weighting, consideration has been given to the relative subjectivity of the two approaches, inputs and the degree of the comparability between the interest properties and the comparable properties.

(d) The investment properties are leased to third parties and related companies under operating leases to earn rental income, further details of which are included in note 39.

(e) As at 31 December 2014, certain investment properties of the Group with carrying value of HK$2,708,861,000 (2013: HK$2,686,253,000) are pledged as securities for bank borrowings and banking facilities (note 38).

16. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP				
	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2013	26,309	3,874	9,194	15,897	55,274
Translation adjustment	732	–	489	766	1,987
Additions	–	210	6,606	5,578	12,394
Disposals	–	–	(252)	(398)	(650)
Write-off	–	–	(290)	(262)	(552)
At 31 December 2013 and 1 January 2014	**27,041**	**4,084**	**15,747**	**21,581**	**68,453**
Translation adjustment	**(82)**	**–**	**(40)**	**(76)**	**(198)**
Additions	**–**	**–**	**5,516**	**5,336**	**10,852**
Write-off	**–**	**–**	**(618)**	**(307)**	**(925)**
At 31 December 2014	**26,959**	**4,084**	**20,605**	**26,534**	**78,182**
DEPRECIATION					
At 1 January 2013	2,613	–	2,105	3,379	8,097
Translation adjustment	100	–	261	373	734
Depreciation provided	1,113	806	4,972	4,628	11,519
Disposals	–	–	(252)	(398)	(650)
Write-off	–	–	(281)	(262)	(543)
At 31 December 2013 and 1 January 2014	**3,826**	**806**	**6,805**	**7,720**	**19,157**
Translation adjustment	**(10)**	**–**	**(15)**	**(22)**	**(47)**
Depreciation provided	**956**	**817**	**4,387**	**5,775**	**11,935**
Write-off	**–**	**–**	**(611)**	**(307)**	**(918)**
At 31 December 2014	**4,772**	**1,623**	**10,566**	**13,166**	**30,127**
NET CARRYING AMOUNT					
At 31 December 2014	**22,187**	**2,461**	**10,039**	**13,368**	**48,055**
At 31 December 2013	23,215	3,278	8,942	13,861	49,296

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	THE COMPANY		
	Leasehold improvement HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
COST			
At 1 January 2013	3,874	148	4,022
Additions	210	30	240
At 31 December 2013, 1 January 2014 and 31 December 2014	**4,084**	**178**	**4,262**
DEPRECIATION			
At 1 January 2013	–	53	53
Depreciation provided	806	29	835
At 31 December 2013 and 1 January 2014	**806**	**82**	**888**
Depreciation provided	**817**	**33**	**850**
At 31 December 2014	**1,623**	**115**	**1,738**
NET CARRYING AMOUNT			
At 31 December 2014	**2,461**	**63**	**2,524**
At 31 December 2013	3,278	96	3,374

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group are analyzed as follows:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Properties in other regions of the PRC, held under medium-term leases	**27,569**	28,794
Comprises of:		
Land and buildings included in property, plant and equipment	**22,187**	23,215
Prepaid lease rental on land (note 17)	**5,382**	5,579
	27,569	28,794

As at 31 December 2014, properties (including prepaid rental on land) with net carrying amount of HK$10,374,000 (2013: HK$10,843,000) are pledged as securities for bank borrowings (note 38).

17. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	**5,579**	5,653
Translation adjustment	**(19)**	173
Amortization charged	**(178)**	(247)
Carrying amount at 31 December	**5,382**	5,579
Analyzed into:		
Non-current portion included in non-current assets	**5,203**	5,400
Current portion included in current assets	**179**	179
	5,382	5,579

18. INTANGIBLE ASSETS

	THE GROUP Shopping mall operating right HK$'000
COST	
At 1 January 2013	74,283
Translation adjustment	2,680
At 31 December 2013 and 1 January 2014	**76,963**
Translation adjustment	**(298)**
At 31 December 2014	**76,665**
AMORTIZATION AND IMPAIRMENT	
At 1 January 2013	42,006
Translation adjustment	1,744
Amortization charged	4,857
At 31 December 2013 and 1 January 2014	**48,607**
Translation adjustment	**(179)**
Amortization charged	**4,892**
At 31 December 2014	**53,320**
NET CARRYING AMOUNT	
At 31 December 2014	**23,345**
At 31 December 2013	28,356

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Investment in unlisted shares, at cost	**1,944,077**	1,944,077

Details of the Group's subsidiaries as at 31 December 2014 are set out in note 47.

20. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**103,672**	99,577
Less: Impairment	**–**	–
	103,672	99,577

As at 31 December 2013 and 2014, the Group has 65% interest in 上海金鶴數碼科技發展有限公司 ("Shanghai Jinhe"), a separate structured vehicle incorporated in the PRC and is principally engaged in property investment and property leasing in Shanghai. The Group has joint control over this arrangement as unanimous consent is required from all parties to the arrangement for the relevant activities of Shanghai Jinhe.

During the year ended 31 December 2014, the Group planned to develop certain property projects jointly with an independent third party through certain companies (the "COI Companies"), which are separate structured vehicles incorporated in Hong Kong or the Cayman Islands. Pursuant to the proposed investment plan, each of the Group and the third party holds 50% of the paid up capital and voting right of the COI Companies and accordingly, the Group and the third party have joint control over the COI Companies. The Group's aggregate investment cost in the COI Companies is approximately HK$775,000. The investment costs in COI Companies remained unpaid as at 31 December 2014 and was included in "other payables and accruals" as at 31 December 2014.

The contractual arrangements in relation to Shanghai Jinhe and the COI Companies provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with Shanghai Jinhe and the COI Companies. Under HKFRS 11, these joint arrangements are classified as joint ventures and have been accounted for in the consolidated financial statements using the equity method. Details of the Group's joint ventures as at 31 December 2014 are set out in note 48.

20. INTERESTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
For the year ended 31 December		
Share of the joint ventures' profit for the year	**3,639**	17,588
Share of the joint ventures' other comprehensive income	**(319)**	2,751
Share of the joint ventures' total comprehensive income	**3,320**	20,339
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	**103,672**	99,577

As at 31 December 2014 and 2013, the Group did not incur any contingent liabilities or capital commitment in relation to its joint ventures.

21. INVENTORIES OF PROPERTIES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Properties under development, at cost	**26,709,475**	18,707,055
Properties held for sale, at cost	**7,301,155**	4,497,202
	34,010,630	23,204,257

As at 31 December 2014, properties under development amounting to HK$19,697,993,000 (2013: HK$10,475,891,000) are not expected to be recovered within twelve months from the end of the reporting period.

The Group's properties under development and properties held for sale are located in other regions of the PRC. As at 31 December 2014, leasehold interests in land included in inventories of properties amounted to HK$18,862,146,000 (2013: HK$12,738,397,000) which are held under long-term or medium-term leases, depending the development plans of the respective lands.

As at 31 December 2014, inventories of properties of HK$1,712,416,000 (2013: HK$1,990,754,000) are pledged as securities for the bank borrowings of the Group, which will be released upon the Group's settlement of the borrowings (note 38).

22. OTHER INVENTORIES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Raw materials	**620**	806

23. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	**336,359**	584,316	**–**	–
Less: Impairment of trade receivables	**–**	–	**–**	–
Trade receivables, net (note (a))	**336,359**	584,316	**–**	–
Other receivables	**377,910**	294,995	**–**	20
Prepayments and deposits (note (b))	**5,428,299**	6,155,665	**16**	11
	6,142,568	7,034,976	**16**	31

Notes:

(a) The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. Rentals receivable from tenants and service income receivable from customers are generally due on presentation of invoices.

Overdue receivables are reviewed regularly by senior management and impairment provision would be considered for those balances.

The ageing analysis of the Group's trade receivables net of impairment allowance, based on invoice date or when appropriate, date of transfer of property, is as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
30 days or below	**211,984**	473,535
31–60 days	**1,469**	678
61–90 days	**974**	–
91–180 days	**22,680**	58,773
181–360 days	**93,667**	48,485
Over 360 days	**5,585**	2,845
	336,359	584,316

23. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (Continued)

(a) (Continued)

The movement in the allowance for trade receivables is as follows:

	THE GROUP 2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	–	9
Amount written off during the year	–	(9)
Carrying amount at 31 December	–	–

The ageing analysis of overdue trade receivables not considered impaired, based on past due date, at the end of the reporting period is as follows:

	THE GROUP 2014 HK$'000	2013 HK$'000
Less than 30 days	**9,082**	933
31–60 days	**1,468**	678
61–90 days	**974**	–
91–180 days	**660**	–
181–360 days	**1,414**	488
Over 360 days	**340**	88
	13,938	2,187

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. Trade receivables at the end of the reporting period relate to a large number of unrelated customers who did not have a recent history of default. Accordingly, no impairment provision is necessary in respect of these receivables.

The Group does not hold any collateral over trade receivables balances other than rental and building management deposits received from tenants of the Group's investment properties.

(b) The balance of prepayments and deposits as at 31 December 2014 mainly comprise the followings:

(i) An amount of HK$78,079,000 (2013: HK$78,319,000) paid by the Group for the primary development on certain areas in Hohhot-Inner Mongolia (the "Primary Development Land"). In prior years, the Group successfully acquired land use right for certain area of the Primary Development Land through public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands was offset against the payment made by the Group for the Primary Development Land. It is the assessment as well as intention of the directors that the amount of prepayment made for the Primary Development Land as at the end of the reporting period can be fully recovered through similar land auction exercise in future or by cash payment.

(ii) Deposits amounted to HK$4,926,364,000 (2013: HK$5,785,318,000) in aggregate paid by the Group for the acquisition of lands in the PRC. As at the reporting date, the dismantling and smoothing work on certain lands are still in progress and thus are not yet handed over to the Group. Accordingly, the land transfer application and procedures for those lands are still in progress at the reporting date. As assessed by the directors, the legal titles of those lands will be passed to the Group by the local authority in due course upon handover of the lands.

24. AMOUNTS DUE FROM/TO SUBSIDIARIES

Among the balances due from subsidiaries as at 31 December 2014, HK$12,077,725,000 (2013: HK$10,149,577,000) is unsecured, interest bearing at 2.715% (2013: 3.349%) per annum and repayable on demand. The remaining balances of amounts due from subsidiaries of HK$3,431,428,000 (2013: HK$1,293,403,000) and the amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

Among the balances due to non-controlling interests as at 31 December 2014, HK$114,084,000 (2013: HK$137,365,000) is unsecured, interest bearing at interest rates range from 6.72% to 7.20% (2013: 6.60% to 7.20%) per annum and repayable in one year pursuant to relevant loan agreements. The remaining balance of amounts due to non-controlling interests as at 31 December 2014 of HK$913,145,000 (2013: HK$711,699,000) and the amounts due from non-controlling interests are unsecured, interest-free and repayable on demand.

26. RESTRICTED CASH AND DEPOSITS/CASH AND BANK BALANCES

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cash at banks and in hand (note (b))	**11,409,768**	9,268,765	**238,845**	18,994
Less: Restricted cash and deposits (note (a))	**(2,584,487)**	(2,073,651)	**–**	–
Cash and bank balances	**8,825,281**	7,195,114	**238,845**	18,994

Notes:

(a) Certain bank balances are restricted as follows:

— In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain subsidiaries engaging in property development are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of development of the related pre-sold properties or issuance of the real estate ownership certificates, whichever is the earlier.

— In relation to the mortgage agreements entered by the buyers and the banks, certain subsidiaries are required to place proceeds received from sales of properties as guarantee deposits in designated bank accounts maintain with the banks. These deposits can only be used to settle construction fees of the relevant property projects and for certain other cases, these deposits could be used to settle the project loans arranged with the banks to finance the relevant property projects. Balances in these designated bank accounts are subject to monitoring by the banks.

— In relation to the arrangement entered by the Group and a third party as detailed in note 27(b), amounts collected from the property purchasers in relation to the Underlying Assets (as defined in note 27(b)) are restricted for use.

The amount of cash restricted for the above purposes as at 31 December 2014 was HK$2,584,487,000 (2013: HK$2,073,651,000).

(b) Cash balance denominated in Renminbi ("RMB") amounted to approximately HK$11,100,823,000 (2013: HK$8,708,123,000) as at 31 December 2014. The RMB is not freely convertible into other currencies.

26. RESTRICTED CASH AND DEPOSITS/CASH AND BANK BALANCES (CONTINUED)

Notes: (Continued)

(c) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period. As at 31 December 2014, the Group had time deposits of HK$33,767,000 (2013: HK$101,752,000) placed with banks with original maturity period from 6 months to 2 years (2013: 6 months) and earned interest income at interest rates ranged from 3.08% to 4.02% (2013: 3.08%) per annum, of which HK$13,676,000 (2013: HK$101,752,000) was included "cash and bank balances", whereas the remaining balances of HK$20,091,000 (2013: nil) was included in "restricted cash and deposits".

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Trade payables (note (a))	**6,374,692**	4,692,420	**–**	–
Other payables and accruals (note (b))	**1,856,916**	656,194	**75,024**	56,579
Deposits received	**478,995**	137,647	**–**	–
	8,710,603	5,486,261	**75,024**	56,579

Notes:

(a) The ageing analysis of the Group's trade payables based on invoice date is as follows:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
30 days or below	**3,541,095**	2,900,942
31–60 days	**386,937**	124,574
61–90 days	**269,098**	84,258
91–180 days	**565,875**	378,171
181–360 days	**733,470**	520,233
Over 360 days	**878,217**	684,242
	6,374,692	4,692,420

(b) On 30 December 2014, 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited) (the "COGO Property Group"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party ("Third Party") in relation to the transfer of the right to demand receipt of outstanding consideration payable by property purchasers in respect of certain property sale agreements entered by the Group with the property purchasers (the "Underlying Assets") to the Third Party. The Underlying Assets will be operated and managed by the Third Party by way of trust (the "Trust"). According to the agreement, the Third Party, acting as the trustee, will issue unit trust to investors and the expected maturity date of the unit trust is six months, i.e. expiring on 30 June 2015. Income generated from managing the Underlying Assets will be appropriated by the Third Party to the beneficiaries including the unit holders.

In return for the transfer of the Underlying Assets to the Third Party, the Third Party paid a sum of RMB2,000,000,000, equivalent to approximately HK$2,535,200,000 (the "Sum") to COGO Property Group. The Sum is the net amount after deducting the expected costs for managing the Trust.

27. TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes: (Continued)

(b) (Continued)

Upon transfer, the Underlying Assets become properties of the Trust. The Group has no right to the Underlying Assets and is not allowed to transfer the Underlying Assets to any third party. On the other hand, the Group is not obliged to ensure recoverability of the Underlying Assets. The directors have assessed the Trust arrangements and determined that the Underlying Assets meet the derecognition criteria for financial assets in HKAS 39 *Financial Instruments: Recognition and Measurement*. Upon receipt of the Sum, the Underlying Assets have been derecognized therefore.

In relation to the Trust, COGO Property Group has been appointed as administrator to assist the Third Party in collecting settlement from the property purchasers. Upon collection from the property purchasers, COGO Property Group is required to deposit the amounts received in a designated bank account maintained at the supervision bank appointed by the Third Party. As at 31 December 2014, the Group received total sum of approximately HK$1,093,452,000 from the relevant property purchasers in respect of the Underlying Assets. Such balance has to be transferred to designated bank account as mentioned above and has been included in "restricted cash and deposits" (note 26(a)). The corresponding amount was included in "other payables and accruals".

28. BORROWINGS

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Current				
Bank borrowings				
— due for repayment within one year	**4,132,040**	2,841,185	**2,050,100**	450,000
— due for repayment within one year and contain a repayment on demand clause (note)	**–**	120,000	**–**	120,000
	4,132,040	2,961,185	**2,050,100**	570,000
Non-current				
Bank borrowings	**11,465,350**	9,981,497	**8,022,640**	7,593,990
	15,597,390	12,942,682	**10,072,740**	8,163,990

Note: As at 31 December 2013, current bank borrowings of the Group and the Company included a bank loan with outstanding balance of HK$120,000,000 which was repayable in January 2014. The loan agreement of this bank loan contains a clause that provides the bank with an unconditional right to demand repayment at any time at its discretion. As at 31 December 2014, none of the Group's and the Company's bank borrowings contain a repayment on demand clause.

28. BORROWINGS (CONTINUED)

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Analysis into:				
Bank borrowings				
Secured (note 38)	**1,004,164**	1,258,538	**–**	–
Unsecured	**14,593,226**	11,684,144	**10,072,740**	8,163,990
	15,597,390	12,942,682	**10,072,740**	8,163,990

The movement of bank borrowings during the year is as follows:

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January	**12,942,682**	5,506,979	**8,163,990**	2,633,437
Translation adjustment	**(10,904)**	110,345	**–**	–
New bank borrowings raised	**5,088,746**	10,178,693	**2,478,750**	6,263,890
Repayment of bank borrowings	**(2,423,134)**	(2,853,335)	**(570,000)**	(733,337)
Carrying amount at 31 December	**15,597,390**	12,942,682	**10,072,740**	8,163,990

The current and non-current bank borrowings were scheduled for repayment as follows:

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
On demand or within one year	**4,132,040**	2,961,185	**2,050,100**	570,000
More than one year, but not exceeding two years	**3,139,714**	3,120,086	**1,188,890**	2,050,100
More than two years, but not exceeding five years	**8,174,514**	6,659,696	**6,833,750**	5,543,890
After five years	**151,122**	201,715	**–**	–
	15,597,390	12,942,682	**10,072,740**	8,163,990

The above analysis is based on scheduled repayment dates set out in the loan agreements or the repayment schedules agreed with the banks.

28. BORROWINGS (CONTINUED)

The carrying amounts of bank borrowings are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
HK$	**8,443,890**	8,026,390	**8,443,890**	7,813,890
RMB	**5,524,650**	4,566,192	**–**	–
United States Dollars ("US$")	**1,628,850**	350,100	**1,628,850**	350,100
	15,597,390	12,942,682	**10,072,740**	8,163,990

As at 31 December 2014, bank borrowings denominated in HK$ and US$ have been arranged at annual floating rates of 2.08% to 4.16% (2013: 1.86% to 4.18%) and 2.62% to 3.27% (2013: 3.30%) respectively while those denominated in RMB have been arranged at annual floating rates of 6.00% to 6.60% (2013: 6.15% to 7.04%).

In respect of those bank loans which have been arranged to finance property development projects, the Group is required to place sales proceeds received from the buyers, rental income received and fund raised in relation to those projects into designated bank accounts. In addition, for obtaining a term loan from a bank, the Group is also required to place the rental income generated from an investment property into a designated account. These bank accounts are subject to monitoring by the banks and the banks have priority to claim repayment for the borrowings from these designated accounts.

29. CONVERTIBLE BONDS

On 13 March 2012, the Company and China Overseas Grand Oceans Finance (Cayman) Limited (the "CB Issuer"), a wholly-owned subsidiary of the Company incorporated in the Cayman Islands, entered into a subscription agreement (the "Subscription Agreement") regarding the issue of convertible bonds in an aggregate principal amount of HK$2,200,000,000 (the "Convertible Bonds"). The completion of the Subscription Agreement took place and the Convertible Bonds were issued on 21 March 2012. The Convertible Bonds were issued at 100% of the principal amount.

The Convertible Bonds will have the benefit of an irrevocable standby letter of credit issued in favour of the trustee, on behalf of the bondholders, by a bank. The Company, as a guarantor with reference to the letter of credit facility agreement, irrevocably and unconditionally undertakes with the bank for any amount incurred in relation to the standby letter of credit (note 41). Subject to certain exceptions, the irrevocable standby letter of credit shall expire on the date falling three years and thirty days after 21 March 2012.

The Convertible Bonds bear interest from and including 21 March 2012 up to but excluding 21 March 2015 at the rate of 2.00% per annum of the principal amount of the Convertible Bonds. Interest is payable semi-annually in arrear on 21 March and 21 September in each year. After 21 March 2015 or after the conversion rights of the Convertible Bonds have been exercised, the Convertible Bonds will not bear any interest.

29. CONVERTIBLE BONDS (CONTINUED)

The Convertible Bonds are convertible in the circumstances set out in the terms and conditions at any time on or after 21 March 2014 up to the close of business on the seventh day prior to 21 March 2017 (the "Maturity Date") by the bondholders into ordinary shares in the issued share capital of the Company at an initial conversion price of HK$12.532 per share, which is subject to adjustments as set out in the Subscription Agreement. The initial conversion price has been adjusted from HK$12.532 per share to HK$8.354 per share for the bonus share issue took place in 2012, which was approved by the shareholders of the Company at the annual general meeting on 30 May 2012.

On or at any time after 21 March 2015 but not less than 7 business days prior to the Maturity Date, the CB Issuer may, having given not less than ten nor more than fifteen days' notice to the bondholders which notice shall be irrevocable, mandatorily convert the Convertible Bonds in whole, but not in part, into shares at the then prevailing conversion price provided that no such conversion may be made unless the closing price for each of twenty consecutive trading days ending on a date which is no more than three business days immediately prior to the date upon which notice of such conversion is given was at least 130% of the applicable conversion price.

The CB Issuer will, at the option of any bondholder, redeem all or only some of such bondholder's Convertible Bonds on 21 March 2015 at 100% of their principal amount (note 46). The Convertible Bonds are subject to redemption upon occurrence of certain events, or at the option of the CB Issuer in certain circumstances, or at the option of the bondholders in certain other circumstances.

Further details regarding the issue of the Convertible Bonds have been set out in the announcements of the Company dated 14 March 2012 and 21 March 2012.

The Convertible Bonds contain liability and equity components. On initial recognition, the fair value of the liability component of the Convertible Bonds is determined using the prevailing market interest of similar non-convertible bond with redemption options. The difference between the fair value of the Convertible Bonds and the fair value assigned to the liability component, representing the option for conversion of the Convertible Bonds into equity, is included in equity as convertible bonds equity reserve (note 33).

29. CONVERTIBLE BONDS (CONTINUED)

The movement of the liability and equity components of the Convertible Bonds is set out as below:

	THE GROUP	
	Liability component HK$'000	Equity component HK$'000
Carrying amount as at 1 January 2013	1,650,543	581,196
Imputed interest expense (note 9)	153,252	–
Finance costs paid	(71,937)	–
Carrying amount as at 31 December 2013 and 1 January 2014	**1,731,858**	**581,196**
Imputed interest expense (note 9)	**160,483**	**–**
Finance costs paid	**(71,938)**	**–**
Carrying amount as at 31 December 2014	**1,820,403**	**581,196**

The liability component is subsequently measured at amortized cost using effective interest rate of 9.30% per annum and imputed interest of HK$160,483,000 (2013: HK$153,252,000) was incurred in the current year. The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited. As at 31 December 2014, with reference to the average quotation of the Convertible Bonds published by a leading global financial market data provider, the fair value of the Convertible Bonds was HK$2,194,500,000 (2013: HK$2,425,317,000) and it is within Level 1 of the fair value hierarchy.

As at 31 December 2014, assuming full conversion of the Convertible Bonds at the adjusted conversion price of HK$8.354 per share, the Convertible Bonds will be convertible into approximately 263,346,900 (2013: 263,346,900) ordinary shares of the Company. Those shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

As mentioned above, each bondholder shall have the right to require the CB Issuer to redeem all or only some of its Convertible Bonds at 100% of their principal amount on 21 March 2015. Accordingly, the liability component of the Convertible Bonds amounting to HK$1,820,403,000 as at 31 December 2014 was re-classified to current liabilities from non-current liabilities.

30. GUARANTEED NOTES PAYABLE

On 15 January 2014, the Company and China Overseas Grand Oceans Finance II (Cayman) Limited (the "Notes Issuer"), a wholly-owned subsidiary of the Company incorporated in the Cayman Islands, entered into a subscription agreement (the "Notes Subscription Agreement") regarding the issue of guaranteed notes payable in aggregate principal amount of US$400,000,000 (the "Guaranteed Notes"). The completion of the Notes Subscription Agreement took place and the Guaranteed Notes were issued on 23 January 2014. The Guaranteed Notes were issued at 99.037% of the principal amount.

The Guaranteed Notes are unsecured and unsubordinated obligations of the Notes Issuer, and are unconditional and irrevocably guaranteed by the Company (note 41).

Interest on the Guaranteed Notes is payable semi-annually in arrear on 23 January and 23 July in each year at the rate of 5.125% per annum, commencing on 23 July 2014.

The Notes Issuer may at any time upon giving not less than 30 or more than 60 days' notice to the noteholders, redeem the Guaranteed Notes, in whole but not in part, at Early Redemption Amount (as defined in the Notes Subscription Agreement). The Guaranteed Notes are also subject to redemption at the option of the noteholders in certain conditions.

Unless previously redeemed, or purchased and cancelled, the Guaranteed Notes will mature on 23 January 2019 at their principal amount.

Further details regarding the issue of the Guaranteed Notes have been set out in the announcement of the Company dated 16 January 2014.

The guaranteed notes payable are initially measured at fair value, net of directly attributable costs incurred, and subsequently measured at amortized cost using the effective interest method.

The movements of the carrying amount of the guaranteed notes payable are set out as below:

	THE GROUP HK$'000
Fair value on initial recognition	**3,070,147**
Direct transaction costs	**(20,982)**
	3,049,165
Imputed interest expense (note 9)	**159,098**
Finance costs paid	**(79,438)**
Carrying amount as at 31 December 2014	**3,128,825**

The net proceeds from the issue of the Guaranteed Notes at 99.037% of the principal amount after the direct transaction costs of HK$20,982,000 is HK$3,049,165,000. The guaranteed notes payable is subsequently measured at amortized cost using effective interest rate of 5.505% per annum and imputed interest of HK$159,098,000 was incurred in current year. The Guaranteed Notes are listed on the Stock Exchange. As at 31 December 2014, with reference to the average quotation of the Guaranteed Notes published by a leading global financial market data provider, the fair value of the Guaranteed Notes was HK$3,153,661,000 and it is within Level 1 of the fair value hierarchy.

31. DEFERRED TAX

The Group

Details of the deferred tax liabilities and assets recognized by the Group and movements during the current and prior reporting periods are as follows:

	Inventories of properties HK$'000	Revaluation of properties HK$'000	Provision for LAT HK$'000	Withholding tax HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2013	729,568	389,518	(271,314)	322,411	–	1,170,183
Translation adjustment	18,979	13,546	(6,467)	9,716	–	35,774
(Credited)/Charged to profit or loss (note 10)	(269,857)	117,749	51,394	(24,040)	–	(124,754)
At 31 December 2013 and 1 January 2014	**478,690**	**520,813**	**(226,387)**	**308,087**	**–**	**1,081,203**
Translation adjustment	**(2,255)**	**(1,725)**	**961**	**(463)**	**(103)**	**(3,585)**
(Credited)/Charged to profit or loss (note 10)	**(58,797)**	**7,507**	**41,795**	**123,800**	**(22,047)**	**92,258**
At 31 December 2014	**417,638**	**526,595**	**(183,631)**	**431,424**	**(22,150)**	**1,169,876**

Represented by:

	2014 HK$'000	2013 HK$'000
Deferred tax liabilities	**1,375,657**	1,307,590
Deferred tax assets	**(205,781)**	(226,387)
	1,169,876	1,081,203

As at 31 December 2014, the Group has unused tax losses of HK$101,702,000 (2013: HK$106,059,000) available for offset against future profits. A deferred tax asset of HK$22,150,000 (2013: nil) has been recognized in respect of tax losses of approximately HK$88,600,000 (2013: nil). No deferred tax has been recognized in respect of the remaining tax losses of HK$13,102,000 (2013: HK$106,059,000) due to unpredictability of future profit streams. The tax losses incurred by the relevant subsidiaries may be carried forward for five years from the financial year when the corresponding loss was incurred.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008 and the applicable tax rates are 5% or 10%.

31. DEFERRED TAX (CONTINUED)

The Group (Continued)

As at 31 December 2014, deferred tax liabilities of approximately HK$431,424,000 (2013: HK$308,087,000) have been recognized in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$4,594,320,000 (2013: HK$3,327,286,000). Deferred tax liabilities of approximately HK$332,310,000 as at 31 December 2014 (2013: HK$360,438,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of other relevant PRC subsidiaries as at 31 December 2014, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$4,118,797,000 as at 31 December 2014 (2013: HK$3,974,328,000).

The Company

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences (2013: nil).

32. SHARE CAPITAL

	Par value per share HK$	Number of ordinary shares '000	HK$'000
Authorized			
Balance at 1 January 2013, 31 December 2013, 1 January 2014	**0.01**	**45,000,000**	**450,000**
Balance at 31 December 2014 (note (i))	**N/A**	**N/A**	**N/A**
Issued and fully paid			
Balance at 1 January 2013, 31 December 2013, 1 January 2014	**0.01**	**2,282,240**	**22,822**
Transition to no-par value regime on 3 March 2014 (note (ii))	**N/A**	**–**	**2,121,196**
Balance at 31 December 2014	**N/A**	**2,282,240**	**2,144,018**

Notes:

(i) Under the Hong Kong Companies Ordinance, Cap. 622, which commenced operation on 3 March 2014, the concept of authorized share capital no longer exists and also, the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

(ii) In accordance with the transitional provisions set out in the Hong Kong Companies Ordinance, Cap. 622, on 3 March 2014, the amounts of HK$1,906,373,000, HK$44,822,000 and HK$170,001,000 standing to the credit of the share premium account, capital redemption reserve and other reserve respectively have become part of the Company's share capital.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

33. RESERVES

The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity on page 52. The nature and purpose of the reserves are as follows:

Share premium and capital redemption reserve

Previously, the application of the share premium and capital redemption reserve is governed by the relevant provisions of the Hong Kong Companies Ordinance, Cap. 32. In accordance with the transitional provisions set out in Section 37 of Schedule 11 of the Hong Kong Companies Ordinance, Cap. 622, which came into effect on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve on 3 March 2014 became part of the share capital.

Convertible bonds equity reserve

The convertible bonds equity reserve comprises (i) the initial carrying value of the equity component of the Convertible Bonds issued by the Group on initial recognition; and (ii) direct transaction costs attributable to the equity component of the Convertible Bonds as recognized in accordance with the accounting policy adopted for convertible bonds as disclosed in note 3.21. Further details of the Convertible Bonds are set out in note 29.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.16.

Asset revaluation reserve

Asset revaluation reserve arises from revaluation of assets such as properties (excluding investment properties).

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain percentage of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

Other reserve

Other reserve arose from the settlement of the options previously granted by a former subsidiary by way of issuing new shares of the Company. Following the transitional provisions of the Hong Kong Companies Ordinance, Cap. 622, which came into effect on 3 March 2014, the amount standing to the credit of other reserve of HK$170,001,000 on 3 March 2014 became part of the share capital of the Company. In addition, the amount standing to the debit of other reserve representing loss on settlement of the vested options amounting to HK$15,656,000 was transferred to retained profits.

33. RESERVES (CONTINUED)

The Group (Continued)

Retained profits

Retained profits of the Group comprise:

	2014 HK$'000	2013 HK$'000
Final dividend proposed for the year (note 12(a))	**22,822**	136,934
Retained profits after proposed dividend	**7,995,772**	6,995,269
Total retained profits for the year	**8,018,594**	7,132,203

The Company

Details of the movements on the Company's reserves are as follows:

	Share premium* HK$'000	Capital redemption reserve* HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	1,906,373	44,822	170,001	1,132,417	3,253,613
Loss and total comprehensive income for the year	–	–	–	(74,616)	(74,616)
2012 final dividend paid (note 12(b))	–	–	–	(136,934)	(136,934)
2013 interim dividend declared (note 12(a))	–	–	–	(114,112)	(114,112)
At 31 December 2013 and 1 January 2014	**1,906,373**	**44,822**	**170,001**	**806,755**	**2,927,951**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**(93,417)**	**(93,417)**
2013 final dividend paid (note 12(b))	**–**	**–**	**–**	**(136,934)**	**(136,934)**
2014 interim dividend declared (note 12(a))	**–**	**–**	**–**	**(91,290)**	**(91,290)**
Transition to no-par value regime on 3 March 2014 (note 32)	**(1,906,373)**	**(44,822)**	**(170,001)**	**–**	**(2,121,196)**
At 31 December 2014	**–**	**–**	**–**	**485,114**	**485,114**

* The total of these equity accounts as at the reporting date represents "other reserves" in the Company's statement of financial position.

Other reserve

Other reserve arose from the settlement of the options previously granted by a former subsidiary by way of issuing new shares of the Company. Following the transitional provisions of the Hong Kong Companies Ordinance, Cap. 622, which came into effect on 3 March 2014, the amount standing to the credit of other reserve of HK$170,001,000 on 3 March 2014 became part of the Company's share capital.

33. RESERVES (CONTINUED)

The Company (Continued)

Retained profits

Retained profits of the Company comprise:

	2014 HK$'000	2013 HK$'000
Final dividend proposed for the year (note 12(a))	**22,822**	136,934
Retained profits after proposed dividend	**462,292**	669,821
Total retained profits for the year	**485,114**	806,755

34. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2014 is HK$671,114,000 (2013: HK$966,840,000), which is attributed to the certain subsidiaries not 100% owned by the Group. In the opinion of the directors, none of the non-controlling interests of these subsidiaries are material to the Group.

35. SHARE OPTION SCHEME

At the annual general meeting of the Company held on 11 May 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Option Scheme") for a period of 10 years commencing on 11 May 2005 and after which no further options will be granted but the provisions of the Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

The Board may, at its absolute discretion, offer any eligible person options to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Option Scheme. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as a consideration for option granted. No options has been granted since 11 May 2005.

36. ACQUISITIONS OF NON-CONTROLLING INTERESTS IN SUBSIDIARIES

During the year ended 31 December 2014, the Group acquired additional equity interests in two non-wholly owned subsidiaries and these transactions resulted in a net decrease in equity attributable to owners of the Company amounted to HK$1,167,000. Details of the transactions are set out below:

(a) On 13 October 2014, the Group entered into an acquisition agreement with 北京世紀恒信諮詢有限責任公司, the non-controlling shareholder of 北京華世柏利房地產開發有限公司 ("Huashiboli") to acquire additional 10% equity interest in Huashiboli at a consideration of RMB10,814,000, equivalent to approximately HK$13,645,000. Huashiboli is a company established in the PRC principally engaged in property development in Beijing, the PRC. Following the acquisition, the Group's equity interest in Huashiboli increased from 80% to 90%. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2014 HK$'000
Consideration paid for 10% equity interest	**13,645**
Net assets attributable to 10% equity interest	**(10,674)**
Decrease in equity attributable to owners of the Company	**2,971**

(b) On 11 December 2014, the Group entered into an acquisition agreement with 石嘴山市鼎銀投資有限公司 and 錫華實業投資集團有限公司, the non-controlling shareholders of 中海宏洋地產(銀川)有限公司 ("COGO Yinchuan") to acquire additional 15% equity interest in COGO Yinchuan at aggregate consideration of RMB126,000,000, equivalent to approximately HK$158,975,000. COGO Yinchuan is a company established in the PRC principally engaged in property development in Yinchuan, the PRC. Following the acquisition, the Group's equity interest in COGO Yinchuan increased from 70% to 85%. As at 31 December 2014, the consideration of RMB126,000,000, equivalent to approximately HK$159,718,000 remained outstanding and was included in "amounts due to non-controlling interests" (note 25). The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2014 HK$'000
Consideration paid for 15% equity interest	**158,975**
Net assets attributable to 15% equity interest	**(160,779)**
Increase in equity attributable to owners of the Company	**(1,804)**

37. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognized in profit or loss of HK$9,437,000 (2013: HK$9,611,000) represent contributions paid/payable to these schemes by the Group in the year. As at 31 December 2014, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2013: nil).

38. PLEDGE OF ASSETS

As at 31 December 2014, the carrying amount of the assets pledged by the Group to secure for bank borrowings and banking facilities granted to the Group are analyzed as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Owners-occupied properties (note 16)	**10,374**	10,843
Investment properties (note 15)	**2,708,861**	2,686,253
Inventories of properties (note 21)	**1,712,416**	1,990,754
	4,431,651	4,687,850

39. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties, quarters and shopping mall operating right under operating leases arrangements. Leases of these properties are negotiated for periods ranging from three months to thirty years (2013: six months to thirty years) and rentals are fixed over the contracted period. As at 31 December 2014, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	**16,854**	16,320	**4,505**	4,505
In the second to fifth year, inclusive	**29,356**	32,230	**10,887**	15,392
Over five years	**34,067**	32,592	**–**	–
	80,277	81,142	**15,392**	19,897

As lessor

The Group leases out its investment properties (note 15) and the shopping mall in which the Group has operating right (note 18) under operating lease arrangements with leases negotiated for period ranging from one to twenty years (2013: two to twenty years). As at 31 December 2014, the Group had contracted with tenants for the following future minimum lease payments receivable:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Within one year	**232,789**	173,325
In the second to fifth year, inclusive	**288,929**	268,731
Over five years	**187,021**	104
	708,739	442,160

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

40. OTHER COMMITMENTS

As at 31 December 2014, the Group had other significant commitments as follows:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Contracted for but not provided for in the financial statements:		
— Investment in equity interest	**310,000**	–
— Acquisition of land	**836,851**	4,358,043
— Property development	**6,389,325**	3,958,813
Authorized but not contracted for:		
— Investment in equity interest	**–**	1,705,384
— Acquisition of land	**580,269**	744,602

41. GUARANTEES

As at 31 December 2014, the Group and the Company had issued the following significant guarantees:

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Guarantees given to:				
Banks for term loan facilities granted to subsidiaries	**–**	–	**3,802,800**	212,500
Bank for a standby letter of credit facility granted to a subsidiary in relation to issue of Convertible Bonds (note 29)	**–**	–	**2,235,000**	2,235,000
Bondholders in respect of the Guaranteed Notes (note 30) issued by a subsidiary	**–**	–	**3,170,079**	–
Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	**11,877,805**	8,829,954	**–**	–
	11,877,805	8,829,954	**9,207,879**	2,447,500

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

42. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties:

(a) On 29 March 2011, the Company entered into an agreement (the "Contractor Agreement") with China State Construction Engineering Corporation Limited ("CSCECL") whereby the Group may engage CSCECL and its subsidiaries (the "CSCECL Group") as construction contractor in the PRC upon successful tender for a term of three years from 1 June 2011 to 31 May 2014. CSCECL is an intermediate holding company of COLI.

According to the Contractor Agreement, if any contract is granted in favour of the CSCECL Group as a result of the tender, the total contract sum to be awarded by the Group to CSCECL Group for the period between 1 June 2011 and 31 December 2011 shall not exceed HK$850,000,000, for each of the two years ended 31 December 2013 shall not exceed HK$850,000,000, and for the period between 1 January 2014 to 31 May 2014 shall not exceed HK$800,000,000. The Contractor Agreement expired on 31 May 2014 and there was no renewal of the agreement.

During the year ended 31 December 2014, total contract sum granted by the Group to CSCECL Group under the Contractor Agreement amounted to approximately HK$396,697,000 (2013: HK$118,688,000).

(b) On 6 April 2011, the Company and COLI entered into a trademark licence agreement ("Trademark Licence Agreement") in relation to the grant of non-executive rights by COLI to the Group to use the trademark "中海地產" (the "Trademark") in the PRC in connection with the marketing and sale of its real estate developments for a period from 6 April 2011 to 31 March 2014. The Trademark is registered in the PRC and owned by 中海地產集團有限公司, a subsidiary of COLI.

Pursuant to the Trademark Licence Agreement, the Company agrees to pay one percent of its annual turnover for each financial year ending 31 December 2011, 2012 and 2013 respectively as royalty. The royalty payable under the Trademark Licence Agreement for the period from 6 April 2011 to 31 March 2012 and for each of the twelve-month period between 1 April 2012 and 31 March 2014 shall not exceed HK$100,000,000.

The Trademark Licence Agreement expired on 31 March 2014. On 28 March 2014, the Company and COLI entered into a new agreement (the "New Trademark Licence Agreement"), pursuant to which COLI grants a non-exclusive right to the Company, its subsidiaries and the Member Company as defined in the New Trademark Licence Agreement, a licence to use the Trademark in the PRC for a term commencing from 1 April 2014 and ending on 31 March 2017 (both dates inclusive).

Pursuant to the New Trademark Licence Agreement, the Company agrees to pay one per cent of its audited annual consolidated turnover for each financial year ending on 31 December 2014, 2015 and 2016 respectively as royalty. The royalty payments are to be made in arrears on or before 31 March each succeeding year until the expiry or earlier termination of the New Trademark Licence Agreement. The total royalty payable under the New Trademark Licence Agreement for each of the twelve-month period between 1 April 2014 and 31 March 2017 shall not exceed HK$250,000,000.

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) (Continued)

For the year ended 31 December 2014, royalty incurred by the Group under the Trademark Licence Agreement and the New Trademark Licence Agreement amounted to approximately HK$138,236,000 (2013: HK$100,000,000). As at 31 December 2014, the royalty payable to COLI amounted to HK$138,236,000 (2013: HK$100,000,000) which was included in "trade and other payables" in the consolidated statement of financial position. The amount due to COLI is unsecured, interest-free and repayable on demand.

(c) On 2 August 2011, a subsidiary of the Group entered into tenancy agreements (the "Tenancy Agreements") with 北京中海豪峰地產開發有限公司 and 北京嘉益德房地產開發有限公司 (the "Tenants"), subsidiaries of COLI, to lease out certain commercial units of China Overseas International Center held by the subsidiary to the Tenants.

Pursuant to the Tenancy Agreements, the lease term is from 1 August 2011 to 31 July 2014. The annual rent payable by 北京中海豪峰地產開發有限公司 and 北京嘉益德房地產開發有限公司 are RMB8,309,000 and RMB4,167,000 respectively. The total rental payable under the Tenancy Agreements for each of the twelve-month period between 1 August 2011 and 31 July 2014 shall not exceed RMB12,477,000.

The Tenancy Agreements expired on 31 July 2014. On 1 August 2014, the Group entered into new tenancy agreements (the "New Tenancy Agreements") with 北京中海金石房地產開發有限公司 and 北京嘉益德房地產開發有限公司 for a term of three years commencing from 1 August 2014 and ending on 31 July 2017. The annual rent payable by 北京中海金石房地產開發有限公司 and 北京嘉益德房地產開發有限公司 are RMB9,327,000 and RMB4,678,000 respectively. The total rental payable under the New Tenancy Agreements for each of the twelve-month period between 1 August 2014 and 31 July 2017 shall not exceed RMB14,005,000.

For the year ended 31 December 2014, total rental income generated from the Tenancy Agreements and the New Tenancy Agreements is approximately RMB13,113,000 (2013: RMB12,476,000), equivalent to approximately HK$16,545,000 (2013: HK$15,628,000). As at 31 December 2014, rental income received in advance from the Tenants amounted to approximately HK$1,479,000 (2013: HK$1,322,000).

(d) On 3 August 2011, the Company entered into an agreement (the "Property Management Agreement") with 中海物業管理有限公司 ("COPM"), a subsidiary of COLI, whereby the Group may engage COPM and its subsidiaries (the "COPM Group") as property manager for its property development projects in the PRC upon successful tender for a term of three years from 3 August 2011 to 31 July 2014.

According to the Property Management Agreement, if any contract is granted in favour of the COPM Group as a result of the tender, the total property management fees payable by the Group to the COMP Group for the period from 3 August 2011 to 31 July 2012 and for each of the twelve-month period between 1 August 2012 and 31 July 2014 shall not exceed RMB25,200,000, RMB33,600,000 and RMB33,000,000 respectively.

The Property Management Agreement expired on 31 July 2014 and there was no renewal of the agreement.

For the year ended 31 December 2014, no property management fees were paid/payable to COMP Group. For the year ended 31 December 2013, total property management fees paid/payable by the Group to the COMP Group under the Property Management Agreement amounted to approximately RMB364,000, equivalent to approximately HK$455,000.

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) The balance of other payables and accruals as at 31 December 2014 included amounts due to joint ventures of HK$775,000 (2013: nil), which represented outstanding investment costs in COI Companies as detailed in note 20.

(f) Key management personnel remunerations include the following expenses:

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**25,936**	29,401
Post-employment benefits	**93**	90
	26,029	29,491

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

The Group is not controlled by the PRC government. However, the Group is an associated company of COLI while the ultimate holding company of COLI is CSCEC, a company controlled by the PRC government, as such, the PRC government is regarded as a related party of the Group. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities. The directors consider the transactions with those state-controlled entities are conducted on an arms' length basis.

In connection with its property development activities, other than those disclosed in notes (a) and (d) above, the Group awards construction and other works contracts to PRC entities, some of which, to the best knowledge of management, are state-controlled entities. The Group has also entered into various transactions with the PRC government departments or agencies, mainly acquisition of land through tendering to those government departments or agencies. During the year ended 31 December 2014, the Group acquired certain parcels of land from the PRC government departments through public tender at an aggregate consideration of approximately HK$5,250,401,000 (2013: HK$11,005,928,000).

In addition, in the normal course of business, the Group entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities.

Other than those disclosed above, the directors consider that the other transactions with the state controlled entities are not significant to the Group.

The Group is active in property sale, property leasing and provision of property management services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with state-controlled entities. However, the directors are of the opinion that the transactions with state-controlled entities are not significant to the Group's operations.

In addition to the above transactions and balances, details of the Group's other balances with related parties are disclosed in consolidated statement of financial position and note 25. The details of the Company's balances with related parties are disclosed in the Company's statement of financial position and note 24.

The related party transactions in respect of item (a) to (d) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of net gearing ratio i.e. net debt to equity. Net debt includes borrowings less restricted cash and deposits and cash and bank balances. Equity represents equity attributable to owners of the Company. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The net gearing ratios of the Group as at 31 December 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000
Borrowings	**15,597,390**	12,942,682
Convertible bonds — liability component	**1,820,403**	1,731,858
Guaranteed notes payable	**3,128,825**	–
Less: restricted cash and deposits	**(2,584,487)**	(2,073,651)
Less: cash and bank balances	**(8,825,281)**	(7,195,114)
Net debt	**9,136,850**	5,405,775
Capital represented by equity attributable to owners of the Company	**12,301,255**	11,304,824
Net gearing ratio	**74.3%**	47.8%

The Group targets to maintain a net gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

44.1 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Financial assets				
Loans and receivables#	**12,206,668**	10,188,371	**15,747,998**	11,461,994
Financial liabilities				
Financial liabilities at amortized cost^	**29,700,344**	20,751,930	**15,057,260**	10,458,683

\# including trade and other receivables, amounts due from subsidiaries and non-controlling interests and bank balances including restricted cash and deposits.

^ including trade payables, other payables and accruals, amounts due to subsidiaries and non-controlling interests, borrowings, the liability component of convertible bonds and the guaranteed notes payable.

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

44.2 Financial results by financial instruments

	2014 HK$'000	2013 HK$'000
Interest income or (expenses) on:		
Loans and receivables	**65,943**	81,018
Financial liabilities at amortized cost	**(989,137)**	(664,107)

44.3 Fair value measurement

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and other receivables, balances with non-controlling interests and subsidiaries, bank balances including restricted cash and deposits, trade payables, other payables and accruals, borrowings, Convertible Bonds and guaranteed notes payable.

Due to their short-term nature, the carrying values of trade and other receivables, balances with non-controlling interests and subsidiaries, bank balances including restricted cash and deposits, trade payable, other payables and accruals and current borrowings approximate their fair values.

For disclosure purpose, the fair values of non-current borrowings, the liability component of the convertible bonds and the guaranteed notes payable are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risks of the Group and the Company.

(b) Financial instruments measured at fair value

As at 31 December 2014 and 2013, the Group and the Company did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

45.2 Market risk

(a) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ended 31 December 2014 and 2013, the Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$ and RMB. The Group is exposed to currency risk arising from fluctuations on foreign currencies against the functional currencies of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continued to conduct its sales mainly in RMB and make payments in RMB. In addition, the Group's borrowings were mainly denominated in HK$, US$ and RMB. The directors consider that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remained acceptable.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from borrowings, its Convertible Bonds and Guaranteed Notes. Borrowings, Convertible Bonds and Guaranteed Notes arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. All of the borrowings of the Group and the Company as at 31 December 2014 and 2013 bore interest at floating rates. The Convertible Bonds and Guaranteed Notes bear interest at fixed rate during the interest period. The interest rates and repayment terms of the borrowings, Convertible Bonds and Guaranteed Notes at the end of the reporting period are disclosed in notes 28, 29 and 30 respectively.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits is not significant as interest-bearing deposits are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Market risk (Continued)

(b) Interest rate risk (Continued)

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2014 HK$'000	2013 HK$'000
(Decrease)/Increase in profit after tax and retained profits		
+ 50 basis points ("bp") (2013: 50 bp)	**(11,581)**	(5,658)
– 10 bp (2013: 10 bp)	**2,316**	1,131

	THE COMPANY	
	2014 HK$'000	2013 HK$'000
(Increase)/Decrease in loss after tax and (decrease)/increase in retained profits		
+ 50 bp (2013: 50 bp)	**(50,364)**	(40,820)
– 10 bp (2013: 10 bp)	**10,073**	8,164

The changes in interest rates do not affect the Group's and the Company's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the loans outstanding at the end of the reporting period resembles that of the corresponding financial year.

45.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are as disclosed in note 41.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal only with credit worthy counterparties. Credit risk on restricted cash and deposits as well as cash and bank balances (note 26) is mitigated as cash is deposited in banks of high credit rating. The credit and investment policies have been consistently applied and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Credit risk (Continued)

For the year ended 31 December 2014 and 2013, the Group did not have significant concentration of credit risk as its trade and other receivables consists of a large number of customers and debtors. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 23.

In respect of trade receivables as at 31 December 2014 and 2013, significant amount was arising from sales of properties and as of the reporting date, the application of mortgage loans in respect of those sales was in progress. Management expects that the buyers will settle these receivables in due course once the mortgage loans are granted by the banks or the government agencies. In addition, the titles of those properties have been retained by the banks. Accordingly, management considers that recoverability concerns over those receivables are remote.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties. 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 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.

As at 31 December 2014, the maximum exposure of credit risk in respect of financial guarantees given by the Company in relation to its subsidiaries' borrowings, Convertible Bonds and Guaranteed Notes was HK$9,207,879,000 (2013: HK$2,447,500,000) (note 41) which represented the maximum amount that the Company could be required to pay if the guarantees are called on. Management considers that it is not probable that the subsidiaries would default repayment of those facilities and accordingly, the Company's exposure to credit risk in this regard is low.

45.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and bank balances as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been consistently applied and are considered to have been effective in managing liquidity risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.4 Liquidity risk (Continued)

The following tables summarize the maturity of the Group's and the Company's financial liabilities based on agreed scheduled repayments dates set out in the agreements. The amounts include interest payments computed using contractual rates. The directors believe that bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements or the repayment schedules agreed with the banks. As at 31 December 2013, the Company had a bank loan with outstanding amount of HK$120,000,000 which contains a repayment on demand clause. This bank loan has short maturity period of one month, accordingly, the contractual maturity of this loan is "On demand or within 1 year". Other than this loan, none of the Group's and the Company's bank borrowings as at 31 December 2014 and 2013 contains a repayment on demand clause. In respect of the Convertible Bonds and the Guaranteed Notes, the maturity is based on the maturity dates set out in the agreements as detailed in notes 29 and 30, respectively.

	THE GROUP				
	On demand or within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2014					
Bank borrowings	**4,798,932**	**3,511,286**	**8,506,363**	**185,281**	**17,001,862**
Guaranteed notes payable	**158,875**	**158,875**	**3,497,188**	**–**	**3,814,938**
Convertible bonds	**2,222,000**	**–**	**–**	**–**	**2,222,000**
Trade payables, other payables and accruals	**8,126,497**	**–**	**–**	**–**	**8,126,497**
Amounts due to non-controlling interests	**1,030,845**	**–**	**–**	**–**	**1,030,845**
	16,337,149	**3,670,161**	**12,003,551**	**185,281**	**32,196,142**
As at 31 December 2013					
Bank borrowings	3,476,013	3,446,615	7,060,613	229,776	14,213,017
Convertible bonds	44,000	22,000	2,200,000	–	2,266,000
Trade payables, other payables and accruals	5,228,326	–	–	–	5,228,326
Amounts due to non-controlling interests	853,794	–	–	–	853,794
	9,602,133	3,468,615	9,260,613	229,776	22,561,137

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.4 Liquidity risk (Continued)

	THE COMPANY			
	On demand or within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total HK$'000
As at 31 December 2014				
Bank borrowings	**2,311,839**	**1,401,351**	**7,100,649**	**10,813,839**
Other payables and accruals	**75,024**	**–**	**–**	**75,024**
Amounts due to subsidiaries	**4,917,719**	**–**	**–**	**4,917,719**
	7,304,582	**1,401,351**	**7,100,649**	**15,806,582**
As at 31 December 2013				
Bank borrowings	801,330	2,245,708	5,858,685	8,905,723
Other payables and accruals	56,579	–	–	56,579
Amount due to a subsidiary	2,238,114	–	–	2,238,114
	3,096,023	2,245,708	5,858,685	11,200,416

The contractual financial guarantees provided by the Group and the Company are disclosed in note 41. As assessed by the directors, it is not probable that the banks would claim the Group for losses in respect of the guarantee contracts due to security in place for the mortgage loans as mentioned in 45.3 above. In addition, it is not probable that the subsidiaries of the Company would default repayment of bank loans, the Convertible Bonds and the Guarantee Notes. Accordingly, no provision for the Group's and the Company's obligations under the guarantees has been made. The contractual maturity of these financial guarantees is "on demand".

46. EVENT AFTER THE REPORTING DATE

In respect of the Convertible Bonds disclosed in note 29, all the bondholders gave notice to excise their redemption option to redeem all of their outstanding Convertible Bonds on 21 March 2015 and accordingly, the Company, on behalf of, the CB Issuer has redeemed all outstanding Convertible Bonds on 21 March 2015. The total redemption money is HK$2,200,000,000, being the principal amount of the Convertible Bonds.

Upon redemption of the Convertible Bonds, the Group shall allocate the consideration money paid of HK$2,200,000,000 and any transaction costs for the redemption to the liability and equity components of the Convertible Bonds at the redemption date using a basis consistent with that used in the original allocation of the proceeds received by the Group to both components when the Convertible Bonds were issued. The liability and equity components shall be derecognized and any difference between the consideration allocated to the liability component and its carrying amount at the redemption date is recognized in profit or loss, whereas any difference between the consideration allocated to the equity component and its carrying amount is recognized in equity.

47. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries as at 31 December 2014 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Big Leader International Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
China Grand (H.K.) Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
China Overseas Grand Oceans Finance (Cayman) Limited	Cayman Islands	Ordinary	1 share of US$1 each	100%	–	Fund raising and on-lending
China Overseas Grand Oceans Finance II (Cayman) Limited	Cayman Islands	Ordinary	1 share of US$1 each	100%	–	Fund raising and on-lending
China Overseas Grand Oceans Investments Limited	Hong Kong	Ordinary	HK$1 (note (c))	100%	–	Investment holding
China Overseas Grand Oceans Property Group Company Limited	PRC^	Paid up capital	RMB133,000,000	–	100%	Investment holding and property development
China Overseas Yin Chuan Investments Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Citirich International Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Flourish Ray Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Grand Marine Investment Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Grand Success Group Holdings Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Grand Will Asia Pacific Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Grandca International Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Greatbo (H.K.) Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Great Kind Development Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Green Fortune Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Guan Hai Investments Limited (note (a))	British Virgin Islands	Ordinary	1 share of US$1 each	100%	–	Investment holding

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47. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Han Yang Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hai Jian International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hongbo Global Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hong Bao Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Jet Pacific Investment Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Longwide Holdings Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Maple Moon Limited (note (a))	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Marine Key Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Main Lucky International Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Moonstar Development Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Ocean Continent Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Ocean Ease Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Ocean Empire Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Pandue Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	100%	–	Investment holding
Precious Joy Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Qiangfa Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Sea Coral Enterprises Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding

47. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Sure Shine International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Top Wonder International Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Unibo Holdings Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
Wan Chang International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Well Great (H.K.) Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
World United International Limited	Hong Kong	Ordinary	HK$1 (note (c))	–	100%	Investment holding
上海中海宏洋置業有限公司	PRC#	Paid up capital	RMB15,000,000	–	100%	Investment holding
中海宏洋地產(合肥)有限公司	PRC^	Paid up capital	RMB580,000,000	–	100%	Property development
中海宏洋地產(銀川)有限公司	PRC*	Paid up capital	RMB840,000,000	–	85% (2013: 70%)	Property development
中海宏洋地產(贛州)有限公司	PRC*	Paid up capital	RMB600,000,000	–	88%	Property development
中海宏洋地產(揚州)有限公司	PRC^	Paid up capital	RMB1,000,000,000	–	100%	Property development
中海宏洋地產(常州)有限公司	PRC^	Paid up capital	RMB600,000,00	–	100%	Property development
中海宏洋地產(鹽城)有限公司	PRC^	Paid up capital	RMB600,000,000 (2013: RMB250,000,000)	–	100%	Property development
中海宏洋置地(常州)有限公司	PRC^	Paid up capital	RMB700,000,000 (2013: RMB646,464,832)	–	100%	Property development
中海宏洋置地(鹽城)有限公司 (note (a))	PRC^	Paid up capital	RMB350,000,000	–	100%	Property development
中海宏洋置業(合肥)有限公司	PRC^	Paid up capital	RMB1,000,000,000 (2013: RMB693,312,200)	–	100%	Property development
中海宏洋置業(常州)有限公司	PRC^	Paid up capital	RMB1,000,000,000	–	100%	Property development
中海宏洋(南通)投資開發有限公司	PRC^	Paid up capital	RMB600,000,000	–	100%	Property development
中海海宏(南通)投資開發有限公司	PRC^	Paid up capital	RMB366,821,479 (2013: RMB86,406,677)	–	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

47. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
北京中海宏洋地產有限公司	PRC#	Paid up capital	RMB28,000,000	–	100%	Investment holding and property development
北京中京藝苑置業有限公司 (formerly 北京中京藝苑房地產開發有限責任公司)	PRC#	Paid up capital	RMB30,000,000	–	100%	Property investment and property leasing
北京中順超科房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
北京華世柏利房地產開發有限公司	PRC#	Paid up capital	RMB60,000,000	–	90% (2013: 80%)	Property development
北京快樂城堡購物中心有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property leasing
北京通惠房地產開發有限責任公司	PRC#	Paid up capital	RMB100,000,000	–	100%	Property development
中海宏洋物業管理有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property management
呼和浩特光大環城建設開發有限公司	PRC#	Paid up capital	RMB120,000,000	–	80%	Property development
呼和浩特市中海宏洋地產有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
呼和浩特市榮城房地產開發有限公司	PRC#	Paid up capital	RMB15,000,000	–	100%	Property development
呼和浩特市中海物業服務有限公司	PRC#	Paid up capital	RMB3,000,000	–	100%	Property management
南寧中海宏洋房地產有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
深圳市建地投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Investment holding
廣州中海橡園房地產發展有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
廣州市光大花園房地產開發有限公司	PRC*	Paid up capital	RMB800,000,000	–	100%	Property development
廣州市光大花園物業管理有限公司	PRC#	Paid up capital	RMB3,000,000	–	100%	Property management
廣州新都房地產發展有限公司	PRC#	Paid up capital	RMB10,000,000	–	90%	Property development
蘭州中海宏洋房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
吉林市中海宏洋房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
吉林市怡恒偉業房地產開發有限公司	PRC#	Paid up capital	RMB200,000,000	–	70%	Property development
吉林市中海海華房地產開發有限公司	PRC#	Paid up capital	RMB50,000,000	–	85%	Property development

47. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
桂林建禹地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
合肥中海新華房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	60%	Property development
合肥中海榮祥房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
合肥海臻房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
南寧中海宏洋置業有限公司 (note (a))	PRC^	Paid up capital	RMB1,700,000,000	–	100%	Property development
紹興中海宏洋地產有限公司 (note (a))	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
揚州中海宏洋置業有限公司 (note (a))	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
揚州中潤置業有限公司 (note (a))	PRC^	Paid up capital	RMB590,350,300	–	100%	Property development
汕頭市中海宏洋地產有限公司 (note (a))	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development

Notes:

(a) These subsidiaries were newly established or invested during the year ended 31 December 2014.

(b) During the year ended 31 December 2014, the Company has deregistered 鹽城中海宏洋置業有限公司, a limited liability company incorporated in the PRC and Sharp China Limited, a limited liability company incorporated in the British Virgin Islands. Both companies are indirect wholly-owned by the Company.

(c) The Hong Kong Companies Ordinance, Cap. 622 came into effect on 3 March 2014. Under Section 135 of the Hong Kong Companies Ordinance, Cap. 622, shares in a company do not have nominal value. Accordingly, the concept of authorized share capital is abolished. The no nominal value regime applies to these Hong Kong incorporated subsidiaries.

^ The companies are incorporated in the PRC as wholly- foreign-owned enterprises.

* The companies are incorporated in the PRC as sino-foreign equity joint ventures.

The companies are incorporated in the PRC as limited liability companies.

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Grand Oceans Finance (Cayman) Limited and China Overseas Grand Oceans Finance II (Cayman) Limited, which have issued Convertible Bonds in an aggregate principal amount of HK$2,200,000,000 (note 29), Guaranteed Notes at principal amount of US$400,000,000 (equivalent to HK$3,100,000,000) (note 30). None of the Convertible Bonds and the Guaranteed Notes were held by the Group.

48. PARTICULARS OF JOINT VENTURES

The particulars of the joint ventures as at 31 December 2014 are as follows:

Name of joint ventures	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
上海金鶴數碼科技發展有限公司	PRC*	Paid up capital	US$2,400,000	–	65%	Property investment and property leasing
COI Property SLP Limited (note)	Cayman Islands	Ordinary	4 shares of US$1 each	–	50%	Inactive
COI Property GP Limited (note)	Cayman Islands	Ordinary	4 shares of US$1 each	–	50%	Inactive
COI Investment Management Limited (note)	Hong Kong	Ordinary	US$4	–	50%	Inactive
COI Investment Management (Cayman Islands) Limited (note)	Cayman Islands	Ordinary	200,000 shares of US$1 each	–	50%	Inactive

Note: The Group invested in these joint ventures during the year ended 31 December 2014 and details of the arrangements are set out in note 20.

* The company is incorporated in the PRC as sino-foreign equity joint venture.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Revenue	**13,981,328**	15,905,893	9,716,902	5,165,720	3,677,309
Profit before income tax	**2,668,474**	5,143,797	3,810,261	3,380,753	2,013,959
Income tax expense	**(1,222,494)**	(1,761,144)	(1,324,622)	(1,575,935)	(871,042)
Profit for the year	**1,445,980**	3,382,653	2,485,639	1,804,818	1,142,917
Profit for the year attributable to:					
Owners of the Company	**1,267,402**	3,136,038	2,400,718	1,815,418	1,001,120
Non-controlling interests	**178,578**	246,615	84,921	(10,600)	141,797
	1,445,980	3,382,653	2,485,639	1,804,818	1,142,917

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**55,308,266**	43,001,228	30,944,543	19,682,093	10,935,727
Total liabilities	**(42,335,897)**	(30,729,564)	(22,335,445)	(14,250,063)	(8,137,448)
	12,972,369	12,271,664	8,609,098	5,432,030	2,798,279
Equity attributable to owners of the Company	**12,301,255**	11,304,824	7,966,225	5,146,007	2,675,414
Non-controlling interests	**671,114**	966,840	642,873	286,023	122,865
	12,972,369	12,271,664	8,609,098	5,432,030	2,798,279

Note: A group reorganization was carried out in 2010 with the result that certain businesses of the Group constituted discontinued operations. Such discontinued operations were distributed by way of distribution in specie. Details about the group reorganization can be referred to the Group's 2010 annual report.

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS

(A) PROPERTY HELD FOR OWN USE

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease Term
Room 05–08, 23F, No. 1 Building, China Overseas International Center No. 28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	1,128	100%	Medium

(B) PROPERTY HELD FOR INVESTMENT

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease Term
Office units, No. 1 Building, China Overseas International Center No. 28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	39,795	100%	Medium
China Overseas Building (No. 9 Office Building) No. 139 Jilin Street, Jilin City, Jilin Province, the PRC	Office	36,049	100%	Medium

(C) PROPERTY HELD AS INVENTORIES

(I) Properties Under Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
The Chief Palace No. 2 of Northern Ring City, Jiangan Road, Qixing District, Guilin, Guangxi, the PRC	Residential/ Commercial	7,500	19,100	100%	Superstructure in progress	2011.10	2nd half 2015
The Green Peak No. 2, Dongzhou Road, Xingning District, Dong Gouling, Nanning, the PRC	Residential/ Commercial	11,700	46,400	100%	Superstructure in progress	2011.10	2nd half 2015
Jade Garden Junction of Guanchao Road and Jiefang North Road, Guangliong District, Yangzhou, the PRC	Residential/ Commercial	16,600	37,400	100%	Superstructure in progress	2013.01	2nd half 2015

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS *(CONTINUED)*

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
International Community (Land Lot No. 1–1, 3–3 & 5–1) No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	127,000	234,400	85%	Superstructure in progress	2013.03	2nd half 2015
Dragon Bay South of Huanghe East Road, Xinbei District, Changzhou City, the PRC	Residential/ Commercial	40,400	77,800	100%	Superstructure in progress	2013.05	2nd half 2015
The Aqua South of Xinhua Road, East of Changtai Road, Gangzha District, Nantong, the PRC	Residential/ Commercial	152,000	580,300	100%	Superstructure in progress	2013.07	2nd half 2017
International Community East of Jinfeng Sixth Street, North of Liu Pan Mountain Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region, the PRC (Land Lot No. 53–1)	Residential/ Commercial	174,000	244,400	85%	Superstructure in progress	2013.08	2nd half 2015
Royal Lakefront Xiangsihu East Road, Xixiangtang District, Nanning, the PRC	Residential	36,500	198,300	100%	Superstructure in progress	2013.08	2nd half 2016
The Phoenix Junction of Fenghuang Road and Zhongwu Avenue, Tianning District, Changzhou, the PRC	Residential/ Commercial	111,000	408,600	100%	Superstructure in progress	2013.08	1st half 2017
The Century East of Riyue Road, South of Juheng Road, Yancheng, Jiangsu, the PRC	Residential/ Commercial	134,900	434,900	100%	Superstructure in progress	2013.09	2nd half 2016
International Community Xingguo Road, Zhanggong District, Ganzhou, the PRC	Residential/ Commercial	77,700	337,900	88%	Superstructure in progress		
(Land Lot No. B16)						2013.11	1st half 2015
(Land Lot No. B8)						2014.03	2nd half 2015

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS *(CONTINUED)*

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
The Imperial North of Longcheng Avenue, East of Taishan Road, Changzhou City, the PRC	Residential/ Commercial	62,100	203,700	100%	Superstructure in progress	2014.01	1st half 2016
The Lagoon South of Nanning Road, East of Jindou West Road, Hefei, the PRC	Residential/ Commercial	177,300	599,600	100%	Superstructure in progress	2014.02	1st half 2017
Maple Palace Jianwai Zhuanchang Hutong, Chaoyang District, Beijing, the PRC	Residential/ Commercial	10,100	91,900	100%	Superstructure in progress	2014.03	2nd half 2015
The Azure North of Yinhe North Road, East of Xingan South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	122,700	404,100	100%	Superstructure in progress	2014.03	1st half 2017
The Arch South of Century Avenue, East of Kaifang Avenue, Yancheng, Jiangsu, the PRC	Residential/ Commercial	88,300	268,300	100%	Superstructure in progress	2014.03	1st half 2017
Imperial No. 9 (previously named as "Jade Garden (Phase 2)") West of Guanchao Road, North of Jiefang Road, Guangliong District, Yangzhou City, the PRC	Residential/ Commercial	56,700	140,600	100%	Superstructure in progress	2014.03	2nd half 2016
Glorioushire South of Planning Road, East of Renshoushan Avenue, North of Beibinhe Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	159,300	690,400	100%	Superstructure in progress	2014.06	2nd half 2017
The Grand Canal West of Zhouzhuang River West Road, South of Huayang East Road, Yangzhou, the PRC	Residential	160,200	321,500	100%	Superstructure in progress	2014.06	2nd half 2016

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS *(CONTINUED)*

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
The Grove East of Tongfu Road, North of Century Avenue, Chongchuan District, Nantong, the PRC	Residential	65,100	95,700	100%	Superstructure in progress	2014.07	2nd half 2015
Century Manor Changming Street, Paojiang Development Zone, Shaoxing, Zhejiang Province, the PRC	Residential/ Commercial	85,900	240,400	100%	Superstructure in progress	2014.07	2nd half 2016
International Community Phase 2 (Land Lot No. 1) East of Nanshan Street, North of Hengshan East Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	324,400	723,500	85%	Superstructure in progress	2014.07	2nd half 2017
East Coast West of Binjiang Road, Xin Jin Pian District, East Coast New Town, Shantou, the PRC	Residential	51,000	214,800	100%	Superstructure in progress	2014.10	2nd half 2016
International Community No. 28 Jinping Road, Xingning District, Nanning, the PRC (Land Lot No. 16)	Residential/ Commercial	92,100	363,200	100%	Superstructure in progress	2014.12	1st half 2016

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS *(CONTINUED)*

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land held for Future Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
International Community South of Jinfeng District, Yinchuan, the PRC	Residential/ Commercial	918,500	2,434,900	85%	Land under development
International Community West of Wudu Road, North of Xingguo Road, East of Dengfeng Avenue, South of Zanxian Road, Zhanggong District, Ganzhou, the PRC	Residential/ Commercial	154,900	591,100	88%	Land under development
International Community No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	116,700	264,900	85%	Land under development
Left Bank North of Yinhe North Road, East of Xing'an South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	96,800	251,600	100%	Land under development
International Community Phase 2 (Land Lot No. 2) East of Nanshan Street, North of Hengshan East Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	32,700	116,800	100%	Land under development

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land held for Future Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
Kaifa District Zhouzhuanghe Road Project North of Dongfenghe Road, West of Zhouzhuanghe Road, Kaifa District, Yangzhou, the PRC	Residential	78,800	164,500	100%	Land under development
International Community No. 28 Jinping Road, Xingning District, Nanning, the PRC	Residential/ Commercial	322,200	1,270,200	100%	Land under development

(III) Properties held for sale

Name/Location	Category	Approximate Saleable gross floor area (sq.m.) (excluding Car Park)	Attributable Interest
Dragon Bay South of Huanghe East Road, Xinbei District, Changzhou City, the PRC	Residential/ Commercial	118,423	100%
The Phoenix Junction of Fenghuang Road and Zhongwu Avenue, Tianning District, Changzhou, the PRC	Residential/ Commercial	97,871	100%
The Imperial North of Longcheng Avenue, East of Taishan Road, Changzhou City, the PRC	Residential/ Commercial	20,412	100%
International Community Xingguo Road, Zhanggong District, Ganzhou, the PRC	Residential/ Commercial	36,705	88%

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS *(CONTINUED)*

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Properties held for sale (Continued)

Name/Location	Category	Approximate Saleable gross floor area (sq.m.) (excluding Car Park)	Attributable Interest
The Lagoon South of Nanning Road, East of Jindou West Road, Hefei, the PRC	Residential/ Commercial	48,829	100%
Dragon Cove West of Fengzhou Road, North of Bin He Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential	107,253	100%
The Bund North of Yinhe North Road, East of Fu Bilie Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	44,428	100%
Royal Waterfront No. 121, Jilin Street, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	16,334	100%
International Community No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	35,008	85%
The Green Peak No. 2, Dongzhou Road, Xingning District, Dong Gouling, Nanning, the PRC	Residential/ Commercial	18,566	100%
Royal Lakefront Xiangsihu East Road, Xixiangtang District, Nanning, the PRC	Residential	48,081	100%
The Aqua South of Xinhua Road, East of Changtai Road, Gangzha District, Nantong, the PRC	Residential/ Commercial	36,589	100%

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Properties held for sale (Continued)

Name/Location	Category	Approximate Saleable gross floor area (sq.m.) (excluding Car Park)	Attributable Interest
Jade Garden Junction of Guanchao Road and Jiefang North Road, Guangliong District, Yangzhou, the PRC	Residential/ Commercial	54,770	100%
International Community (Lianhua Garden (Phase 2/Phase 3)) East of Jinfeng Sixth Street, North of Liu Pan Mountain Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	158,387	85%

(D) PROPERTY HELD UNDER JOINT VENTURE

Property held for investment

Name/Location	Category	Approximate Total Site Area (sq.m.)	Attributable Interest	Lease Term
China Overseas Jinhe Information Technology Park No. 10, Lane 198, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	Office/Car Park	16,381	65%	Medium

GLOSSARY

Board	the board of Directors
CG Code	Corporate Governance Code in Appendix 14 to the Listing Rules
COHL	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of COLI
COLI	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688), being a controlling shareholder of the Company
Companies Ordinance	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	China Overseas Grand Oceans Group Limited (stock code: 81), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
Company Secretary	the company secretary of the Company
Convertible Bonds	means HK$2,200,000,000 2.00% guaranteed convertible bonds due 2017 (credit enhanced until 2015 with step down to zero coupon after 2015) issued by the Group and guaranteed by the Company
CPI	consumer price index
CSCEC	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organized and existing under the laws of the PRC, which is the holding company of CSCECL
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 which is an intermediate holding company of COLI
CSCECL Group	CSCECL and its subsidiaries from time to time
Directors	the director(s) of the Company
GDP	gross domestic product
GFA	gross floor area

GLOSSARY *(CONTINUED)*

Group	the Company and its subsidiaries from time to time
Guaranteed Notes	the US$400 million 5.125% guaranteed notes due 2019 issued by the Group and guaranteed by the Company
HKFRSs	Hong Kong Financial Reporting Standards (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Option Scheme	a share option scheme which is approved by the shareholders of the Company at the annual general meeting held on 11 May 2005 and adopted by the Company for a period of 10 years commencing on the adoption date
PRC	the People's Republic of China
Saleable GFA	saleable gross floor area
Share(s)	the ordinary share(s) of the Company
SFO	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
sq. m.	square meter
Stock Exchange	The Stock Exchange of Hong Kong Limited
US	the United States of America, its territories and possessions, any state of the United States
%	per cent.

Note: This section is not applicable to the section "Independent Auditor's Report" and the consolidated financial statements of the Group set out on pages 47 to 132 of this annual report.

FORMULA OF FINANCIAL INFORMATION

Cash reserves	Cash and bank balances + Restricted cash and deposits
Gross margin	$\frac{\text{Gross profit}}{\text{Revenue}}$
Net debts	Total borrowings – Cash reserves
Total gearing	$\frac{\text{Total borrowings}}{\text{Equity attributable to owners of the Company}}$
Net gearing	$\frac{\text{Net debts}}{\text{Equity attributable to owners of the Company}}$
Net margin	$\frac{\text{Profit attributable to owners of the Company}}{\text{Revenue}}$
Quick ratio	$\frac{\text{Total current assets – Inventories of properties}}{\text{Total current liabilities}}$
Return on equity	$\frac{\text{Profit attributable to owners of the Company}}{\text{Average capital and reserves attributable to owners of the Company}}$

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