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中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.
（於香港註冊成立之有限公司）
（股份代號：688）

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司證券上市規則（「**上市規則**」）第 13.10B 條刊發。

隨附有關China Overseas Land International (Cayman) Limited（本公司全資附屬公司）發行有擔保以歐元計值票據（「**票據**」）的發售通函（「**發售通函**」），將會就票據在愛爾蘭證券交易所上市而上傳至愛爾蘭證券交易所網站。

在香港交易及結算所有限公司網站刊登發售通函僅旨在向香港投資者同步發佈資訊及為遵守上市規則第 13.10B 條的規定，並無其他目的。

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承董事局命
中國海外發展有限公司
主席兼行政總裁
郝建民

香港，二零一五年七月九日

於本公告日期，郝建民（主席兼行政總裁）、肖肖（副主席）、陳誼、羅亮、聶潤榮、郭勇、闞洪波諸位先生為本公司之執行董事，鄭學選先生為本公司之非執行董事，而林廣兆、黃英豪、李民斌諸位先生及范徐麗泰女士為本公司之獨立非執行董事。

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The materials relating to the issue of the Notes do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the issue of the Notes be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the issue of the Notes shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

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Offering Circular dated 8 July 2015

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

China Overseas Land International (Cayman) Limited

(incorporated in the Cayman Islands with limited liability)

EUR600,000,000
1.75 per cent. Guaranteed Notes due 2019
unconditionally and irrevocably guaranteed by

China Overseas Land & Investment Limited
中 國 海 外 發 展 有 限 公 司

(incorporated in Hong Kong with limited liability)

Issue price: 99.587 per cent.

China Overseas Land International (Cayman) Limited (the "Issuer") proposes to issue EUR600,000,000 principal amount of 1.75 per cent. Guaranteed Notes due 2019 (the "Notes"). The Notes will be unsecured and unsubordinated obligations of the Issuer and will be unconditionally and irrevocably guaranteed (the "Guarantee") by China Overseas Land & Investment Limited 中國海外發展有限公司 (the "Guarantor" or the "Company"). The Notes will be constituted by a trust deed (which includes the Guarantee given by the Guarantor) to be dated 15 July 2015 (the "Trust Deed") made between the Issuer, the Guarantor and DB Trustees (Hong Kong) Limited (the "Trustee").

Interest on the Notes is payable annually in arrear on 15 July in each year at the rate set forth above, commencing on 15 July 2016. Payments on the Notes will be made without deduction for or on account of taxes of any Relevant Jurisdiction (as defined in the Terms and Conditions of the Notes) to the extent described under "Terms and Conditions of the Notes — Taxation".

Unless previously redeemed, or purchased and cancelled, the Notes will mature on 15 July 2019 at their principal amount. The Notes are subject to redemption in whole, but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of any Relevant Jurisdiction. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Taxation Reasons". In addition, the Issuer may at any time redeem the Notes, in whole but not in part, at the Early Redemption Amount (as defined in the Terms and Conditions of the Notes). See "Terms and Conditions of the Notes — Redemption and Purchase — Optional Redemption". The Notes may also be redeemed at the option of the holders at their principal amount together with accrued interest following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes) with respect to the Guarantor. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption upon Change of Control".

Application has been made to the Irish Stock Exchange plc (the "Irish Stock Exchange") for the approval of this Offering Circular as Listing Particulars ("Listing Particulars") and for the Notes to be admitted to the Official List and to trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. This document constitutes the Listing Particulars in respect of the admission of the Notes to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange.

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for listing of, and permission to deal in, the Notes by way of debt issues to professional investors only and such permission is expected to become effective on 16 July 2015.

The Notes are expected to be rated "BBB+" by Fitch Ratings and its affiliates ("Fitch") and "Baa1" by Moody's Investors Service, Inc. and its affiliates ("Moody's"). The credit ratings accorded to the Notes are not a recommendation to purchase, hold or sell the Notes in as much as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for a given period or that the ratings will not be revised by the rating agencies in the future.

See "Risk Factors" beginning on page 11 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold outside the United States in compliance with Regulation S.

The Notes will be evidenced by a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and deposited, with a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream. Except in the limited circumstances set out in the Global Certificate, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate. See "The Global Certificate". It is expected that delivery of the Global Certificate will be made on 15 July 2015 or such later date as may be agreed (the "Closing Date") by the Issuer and the Joint Lead Managers (as defined in "Subscription and Sale").

Joint Global Coordinators

Agricultural Bank of China **BNP PARIBAS** **DBS Bank Ltd.** **HSBC** **ICBC**

Joint Bookrunners and Joint Lead Managers

Agricultural Bank of China **BNP PARIBAS** **China Construction Bank (Asia)** **DBS Bank Ltd.** **Deutsche Bank** **HSBC** **ICBC** **J.P. Morgan** **UBS**

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This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Issuer and the Guarantor accept full responsibility for the information contained in these Listing Particulars. To the best of the knowledge and belief of the Issuer and the Guarantor, the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer and the Guarantor, having made all reasonable enquiries, confirm that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor and its subsidiaries taken as a whole (the "Group"), the Notes and the Guarantee which is material in the context of the issue and offering of the Notes, (ii) the statements contained herein relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances, are based on reasonable assumptions and are not misleading in any material respect, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes or the Guarantee the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

Each person receiving this Offering Circular acknowledges that such person has not relied on the joint lead managers named in the section entitled "Subscription and Sale" (each a "Joint Lead Manager") or any other person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of such information or its investment decision.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers. The delivery of this Offering Circular at any time does not imply that the information contained herein is correct as at any time subsequent to its date. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, any of the Joint Lead Managers, the Trustee (as defined in the section entitled "Terms and Conditions of the Notes" (the "Terms and Conditions") or the Agents (as defined in the Terms and Conditions) to subscribe for or purchase, any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. Distribution of this Offering Circular to any person other than the recipient is prohibited. For a description of certain further restrictions on offers and sales of Notes and the distribution of this Offering Circular, see "Subscription and Sale".

No representation or warranty, express or implied, is made or given by any of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates or representatives as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by any of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates or representatives. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates and representatives that any recipient of this Offering Circular should purchase the Notes. To the fullest extent permitted by law, the Joint Lead Managers, the Trustee, the Agents and their respective affiliates and representatives do not accept any responsibility for the contents of this Offering Circular. Each of the Joint Lead Managers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any statement herein. None of the Joint Lead Managers, the Trustee or any Agent undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group after the date of this Offering Circular or to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or any Agent. None of the Joint Lead Managers, the Trustee or the Agents have independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. Each investor contemplating purchasing the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisors as it deems necessary.

Listing of the Notes on the Irish Stock Exchange or the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, the Notes or the Guarantee. In making an investment decision, prospective investors must rely on their examination of the Issuer, the Guarantor, the Group and the terms of this offering, including the merits and risks involved. The Notes have not been approved or recommended by any regulatory authority in any jurisdiction. Furthermore, no such regulatory authority has passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this Offering Circular.

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (THE "STABILISING MANAGER") OR ANY PERSON ACTING ON ITS BEHALF MAY, AFTER CONSULTATION WITH THE OTHER JOINT LEAD MANAGERS, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates or representatives is making any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective purchaser of the Notes should consult with its own advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes.

The distribution of this Offering Circular and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions, including the United States, the United Kingdom, Hong Kong, the PRC, the Cayman Islands, Japan, Singapore and Switzerland and to persons connected therewith. See "Subscription and Sale".

FORWARD-LOOKING STATEMENTS

There are statements in this Offering Circular which contain words and phrases such as "aim", "anticipate", "assume", "believe", "contemplate", "continue", "estimate", "expect", "future", "goal", "intend", "may", "objective", "plan", "predict", "positioned", "project", "risk", "seek to", "shall", "should", "will likely result", "will pursue", "plan" and words and terms of similar substance used in connection with any discussion of future operating or financial performance or the Group's expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings "Risk Factors" and "The Group" regarding the Group's financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to the business of the Group discussed under "Risk Factors", other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- the Group's property development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- various business opportunities that the Group may pursue;
- changes to regulatory and operating conditions in, and the general regulatory environment of, the industry and markets in which the Group operates;
- the performance and future development of the property market in the areas in Mainland China, Hong Kong and Macau in which the Group may engage in property development;
- changes in political, regulatory, economic, legal and social conditions in the PRC, including the specific policies of the PRC government and the local authorities in the regions in which the Group operates, which affect land supply, availability and cost of financing, pre-sales, pricing and volume of the Group's property development projects;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- availability and cost of bank loans and other forms of financing;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for the Group's properties under development or held for future development;
- the defaults in repayment by the Group's purchasers of mortgage loans guaranteed by the Group;
- the performance of the obligations and undertakings of the Group's independent contractors under various construction, building, interior decoration and installation contracts;
- the interpretation and implementation of the existing rules and regulations relating to the Land Appreciation Tax ("LAT") and any future changes to LAT;
- changes in currency exchange rates; and
- other factors beyond the Group's control.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on the Group's income or results of operations could materially differ from those that have been estimated. For example, turnover could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realised.

Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as at the date of this Offering Circular. Except as required by law, the Group is not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to the Group or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION

Financial Data

The Guarantor's consolidated financial statements are prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other countries, including IFRS, which differences might be material to the financial information presented herein. Potential investors should consult their own professional advisors for an understanding of the difference between HKFRS, IFRS and accounting principles in certain other jurisdictions, and how those differences might affect the financial information presented herein. In making an investment decision, investors must rely upon their own independent examination of the Group, the terms of this offering and the Guarantor's recent financial information. Unless specified or the context otherwise requires, all financial information in this Offering Circular is presented on a consolidated basis.

Unless otherwise indicated, the historical financial information included in this Offering Circular has been derived from the Guarantor's audited consolidated financial information as at and for the years ended 31 December 2013 and 2014.

Exchange Rate Information

This Offering Circular contains a translation of certain Hong Kong dollar amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer or the Guarantor has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of HK$7.7531 per U.S.$1.00, which was the noon buying rate as certified for customs purposes by the weekly statistical release of the Federal Reserve Board for Hong Kong dollars on 31 December 2014. No representation is made that the Hong Kong dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

Rounding

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Non-GAAP Financial Measures

This Offering Circular contains certain information regarding the Group's Adjusted EBITDA. Adjusted EBITDA for any period consists of profit for the year before interest expense and other finance costs, tax, depreciation and amortisation, excluding changes in fair value of and transfer to investment properties, fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions, share of results of associates and joint ventures and other income and gains except interest income. Adjusted EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit for the year or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating Adjusted EBITDA, investors should consider, among other things, the components of Adjusted EBITDA such as turnover and operating expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. The Group has included Adjusted EBITDA because it believes it is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's Adjusted EBITDA to EBITDA presented by other companies because not all companies use the same definition.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires:

- "Acquired Assets" refers to a portfolio of 27 property projects in various major cities in the PRC, including Beijing, Shanghai, Tianjin, Chongqing, Suzhou, Chengdu, Xi'an, Urumqi, Changsha, Weifang, Zibo, and three property projects in London acquired by the Group pursuant to the Asset Acquisition;

- "Asset Acquisition" refers to the Group's acquisition of Celestial Domain Investments Limited and its various subsidiaries, joint ventures and associates (together, the "Target Group"), which are engaged in property development and investment management from CSCECL on 7 May 2015;

- "China", "Mainland China" and the "PRC" refer to the People's Republic of China (excluding Hong Kong, Macau and Taiwan);

- "COHL" refers to China Overseas Holdings Limited 中國海外集團有限公司;

- the "Company" or the "Guarantor" refers to China Overseas Land & Investment Limited 中國海外發展有限公司;

- "CSCECL" refers to China State Construction Engineering Corporation Limited;

- "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

- "Grand Oceans" refers to China Overseas Grand Oceans Group Limited, a 37.98 per cent.-owned associate of the Guarantor;

- the "Group" refers to the Guarantor and its subsidiaries taken as a whole;

- "HKAS" refers to Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA");

- "HKFRS" refers to Hong Kong Financial Reporting Standards issued by the HKICPA;

- "Hong Kong" refers to the Hong Kong Special Administrative Region of the People's Republic of China;

- "Hong Kong dollars", "HK dollars" and "HK$" refer to the lawful currency of Hong Kong;

- "IFRS" refers to International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB");

- the "Issuer" refers to China Overseas Land International (Cayman) Limited;

- "Macau" refers to the Macau Special Administrative Region of the People's Republic of China;

- "RMB" and "yuan" refer to Renminbi, the lawful currency of the People's Republic of China; and

- "U.S. dollars" and "U.S.$" refer to the legal currency of the United States of America.

TABLE OF CONTENTS

SUMMARY

Overview

The Group is a major property developer in the PRC. Its main sources of turnover are the development and sale of residential and commercial properties in Mainland China, Hong Kong and Macau. The Group has made significant investments and has interests in property development projects in major cities in Mainland China such as Beijing, Guangzhou, Shanghai and Shenzhen, in which the property market has experienced significant growth in recent years, and also has a strong presence in other major cities in Mainland China including Changchun, Chengdu, Chongqing, Foshan, Hangzhou, Jinan, Qingdao, Shenyang, Suzhou, Tianjin and Xi'an. The property development portfolio of the Group in Mainland China includes property developments in the Hua Nan Region, the Hua Dong Region, the Hua Bei Region, the Western Region and the Northern Region, covering a diverse area across Mainland China. In addition, the Guarantor has made sizable investments in property development projects in Hong Kong and Macau. As at 31 December 2014, the Group, together with its joint ventures, had a land bank of 37.4 million square metres (with an attributable land bank of 35.0 million square metres), while Grand Oceans, a 37.98 per cent.-owned associate of the Guarantor, had a land bank of 12.1 million square metres (with an attributable land bank of 11.4 million square metres), together across 45 cities in the PRC as well as in Hong Kong and Macau.

On 7 May 2015, the Group completed the acquisition of the Acquired Assets from CSCECL with a total GFA of approximately 10.9 million square metres (without taking into account the proportionate interest of the relevant members of the Target Group). As a result of such acquisition, the land bank of the Group increased by approximately 29.1 per cent., compared to its total land bank of 37.4 million square metres as at 31 December 2014 (without taking into account the proportionate interest of the relevant members of the Group). See "The Group — Recent Developments — Asset Acquisition".

In addition to property development, the Group is also involved in property investment in Mainland China, Hong Kong and Macau. The Group seeks commercial development properties for long-term appreciation and lease potential and derives rental and management fees from its investment property portfolio in Mainland China, Hong Kong and Macau, which is comprised primarily of the Group's commercial properties.

The Group also runs a number of complementary operations, including property management, building design consultancy business and other businesses.

The Guarantor is an investment holding company with operations in Mainland China, Hong Kong and Macau. It was incorporated on 1 June 1979 in Hong Kong and has been listed on the Hong Kong Stock Exchange since 1992 (Hong Kong Stock Exchange code: 688). For the year ended 31 December 2014, the Guarantor's consolidated turnover and net profit was HK$119,997.0 million (U.S.$15,477.3 million) and HK$28,205.4 million (U.S.$3,638.0 million), respectively. As at 12 June 2015, the Guarantor had a market capitalisation of HK$282.0 billion, which made it the largest PRC-focused property developer listed on the Hong Kong Stock Exchange in terms of market capitalisation as at such date. The Guarantor is also a member of the Hang Seng Index, the Hang Seng Corporate Sustainability Index and FTSE China 25 Index.

In February 2013, the Guarantor was awarded a BBB+/Stable investment credit rating by Fitch. In April 2013, the investment grade rating of the Guarantor issued by Moody's was upgraded to Baa1/ Stable while that issued by S&P was upgraded to BBB+/Stable. In June 2015, Fitch and Moody's reaffirmed their ratings.

The Group is comprised of the Guarantor and, after taking into account its acquisition of the Acquired Assets from CSCECL, about 330 subsidiaries. The Issuer is a direct wholly owned subsidiary of the Guarantor.

Competitive Strengths

The Group benefits from the following key strengths:

- The Group is a major PRC property developer supported by the well-known national brand of "China Overseas Property" ("中海地產") in the mid- to high-end sector;
- As a major state-owned developer, the Group benefits from strong support from its controlling shareholder which has fostered its long-term sustainable development;
- The Group has a proven track record and in-depth local knowledge;
- The Group owns a sizable, diversified and high quality land bank;
- The Group's operations are scalable for further expansion; and
- The Group is financially strong and has flexible sources of funding.

Strategies

The Group's key business objective is to seek sustainable growth in turnover and profit by pursuing the following strategies:

- Continuing to focus on property business especially in the PRC;
- Continuing to strengthen the "China Overseas Property" ("中海地產") brand nationwide;
- Focusing on the mid- to high-end property sector and enhancing its market share in the PRC residential property sector, particularly in tier-one and tier-two cities;
- Developing Grand Oceans to serve as an effective complement in tier-three cities;
- Expanding its land bank at reasonably low cost;
- Increasing its property investment portfolio to diversify income sources;
- Expanding its development through selective land acquisitions and mergers and acquisitions; and
- Maintaining prudent financial management.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth the Guarantor's summary consolidated financial information. The summary consolidated financial information as at and for the years ended 31 December 2012, 2013 and 2014 has been derived from the Guarantor's audited consolidated financial statements for the years ended 31 December 2013 and 2014, including the notes thereto, included elsewhere in this Offering Circular.

The Guarantor's consolidated financial statements are prepared in accordance with HKFRS.

Please note that the U.S. dollar figures are unaudited and provided solely for the convenience of the investor.

	For the years ended 31 December			
	2012	2013	2014	2014
	(HK$'000, except per share data)			(U.S.$'000, except per share data)
Consolidated Income Statement Data				
Turnover	64,580,694	82,469,081	119,996,980	15,477,290
Cost of sales	(37,574,299)	(53,182,545)	(78,581,080)	(10,135,440)
Direct operating expenses	(2,281,192)	(2,464,519)	(2,178,234)	(280,950)
	24,725,203	26,822,017	39,237,666	5,060,900
Other income and gains, net	730,881	904,461	1,577,511	203,469
Gain arising from changes in fair value of and transfer to investment properties	3,650,820	3,438,106	5,168,984	666,699
Selling and distribution costs	(842,440)	(1,247,262)	(1,676,000)	(216,172)
Administrative expenses	(1,194,135)	(1,569,769)	(1,894,168)	(244,311)
Operating profit	27,070,329	28,347,553	42,413,993	5,470,585
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	—	1,458,176	—	—
Share of profits of:				
Associates	339,515	838,117	499,035	64,366
Joint ventures	2,297,976	2,935,195	1,099,877	141,863
Finance costs	(285,602)	(290,363)	(345,544)	(44,569)
Profit before tax	29,422,218	33,288,678	43,667,361	5,632,245
Income tax expenses	(10,589,747)	(10,109,752)	(15,462,002)	(1,994,299)
Profit for the year	18,832,471	23,178,926	28,205,359	3,637,946
Profit attributable to:				
Owners of the Guarantor	18,722,221	23,043,712	27,680,160	3,570,205
Non-controlling interests	110,250	135,214	525,199	67,741
	18,832,471	23,178,926	28,205,359	3,637,946
Dividends per share (cents)	39[1]	47	55	7

Note:

(1) Excluding the special dividend of HK$0.02 per share paid in 2012.

	As at 31 December			
	2012	2013	2014	2014
	(HK$'000)	(HK$'000)	(HK$'000)	(U.S.$'000)
Consolidated Statement of Financial Position Data				
Non-current Assets				
Investment properties	23,657,327	32,531,661	44,754,783	5,772,502
Property, plant and equipment	975,862	1,371,196	1,354,826	174,746
Prepaid lease payments for land	161,996	156,373	147,564	19,033
Interests in associates	3,612,633	4,496,092	4,891,040	630,850
Interests in joint ventures	13,579,848	11,434,403	10,836,232	1,397,664
Investments in syndicated property project companies	18,369	18,907	20,873	2,692
Amounts due from joint ventures	5,317,039	2,843,910	1,895,513	244,484
Pledged bank deposits	51,436	68,179	67,249	8,674
Goodwill	109,021	109,021	109,021	14,062
Deferred tax assets	2,073,652	2,277,091	2,838,648	366,131
	49,557,183	55,306,833	66,915,749	8,630,838
Current Assets				
Inventories	24,238	28,906	64,002	8,255
Stock of properties	108,479,874	160,952,085	194,955,954	25,145,549
Land development expenditure	3,271,962	3,409,653	1,428,682	184,272
Prepaid lease payments for land	5,105	7,978	8,112	1,046
Trade and other receivables	2,598,854	2,430,978	7,671,278	989,446
Deposits and prepayments	3,838,625	5,521,776	5,580,690	719,801
Deposits for land use rights for property development	14,136,292	19,835,111	15,124,018	1,950,706
Amounts due from associates	196,947	200,441	237,951	30,691
Amounts due from joint ventures	5,453,479	5,000,978	4,728,110	609,835
Amounts due from non-controlling interests	440,712	526,852	982,761	126,757
Tax prepaid	941,005	1,889,656	2,024,409	261,110
Bank balances and cash	40,880,412	41,411,223	51,215,340	6,605,789
	180,267,505	241,215,637	284,021,307	36,633,257
Total Assets	229,824,688	296,522,470	350,937,056	45,264,095

	As at 31 December			
	2012	2013	2014	2014
	(HK$'000)	(HK$'000)	(HK$'000)	(U.S.$'000)
Non-current Liabilities				
Bank borrowings — due after one year	32,095,339	36,708,758	23,813,025	3,071,420
Guaranteed notes payable	21,147,701	32,688,088	48,177,442	6,213,958
Amounts due to non-controlling interests	2,017,849	581,634	739,186	95,341
Deferred tax liabilities	3,031,391	4,565,766	5,489,683	708,063
	58,292,280	74,544,246	78,219,336	10,088,782
Current Liabilities				
Trade and other payables	16,916,629	21,523,324	35,419,982	4,568,493
Pre-sales deposits	40,506,159	61,414,386	46,848,386	6,042,536
Rental and other deposits	816,645	1,202,760	1,411,461	182,051
Amounts due to fellow subsidiaries	353,501	353,501	372,923	48,100
Amounts due to associates	228,520	280,596	279,635	36,068
Amounts due to joint ventures	4,590,819	5,651,284	8,483,634	1,094,225
Amounts due to non-controlling interests	—	842,221	134,189	17,308
Tax liabilities	15,017,622	16,357,023	20,418,009	2,633,528
Bank borrowings — due within one year	5,545,557	3,302,733	22,541,806	2,907,457
	83,975,452	110,927,828	135,910,025	17,529,766
Total Liabilities	142,267,732	185,472,074	214,129,361	27,618,548
Net Assets	87,556,956	111,050,396	136,807,695	17,645,547
Capital and Reserves				
Share capital	817,252	817,262	19,634,031	2,532,410
Reserves	86,426,887	109,153,321	113,699,552	14,665,044
Equity Attributable to Owners of the Guarantor	87,244,139	109,970,583	133,333,583	17,197,454
Non-controlling interests	312,817	1,079,813	3,474,112	448,093
Total Equity	87,556,956	111,050,396	136,807,695	17,645,547

Other Financial Data

	As at and for the years ended 31 December			
	2012	2013	2014	2014
	(HK$ millions, except margin and ratio data)			(U.S.$ millions, except margin and ratio data)
Adjusted EBITDA[1]	23,071	24,774	36,278	4,679
Adjusted EBITDA margin (%)[2]	35.7	30.0	30.2	30.2
Net debt to equity ratio (%)[3]	20.5	28.4	32.4	32.4

Notes:

(1) Adjusted EBITDA for any period consists of profit for the year before interest expense and other finance costs, tax, depreciation and amortisation, excluding changes in fair value of and transfer to investment properties, fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions, share of results of associates and joint ventures and other income and gains except interest income. Adjusted EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit for the year or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating Adjusted EBITDA, investors should consider, among other things, the components of Adjusted EBITDA such as turnover and operating expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. The Group has included Adjusted EBITDA because it believes it is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's Adjusted EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by turnover.

(3) Net debt comprises the total carrying amount of bank loans and other debts, including guaranteed notes payable only, net of bank balances and cash and pledged bank deposits. Equity comprises equity attributable to owners of the Guarantor.

THE OFFERING

This is a summary of the terms and conditions of the Notes. Please refer to "Terms and Conditions of the Notes" for a detailed description of the terms and conditions. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

Issuer	China Overseas Land International (Cayman) Limited.
Guarantor	China Overseas Land & Investment Limited.
Issue	EUR600,000,000 1.75 per cent. Guaranteed Notes due 2019 (the "Notes").
Issue Price	99.587 per cent.
Closing Date	15 July 2015.
Maturity Date	15 July 2019.
The Offering	The Notes and the Guarantee are being offered outside the United States in reliance on Regulation S under the Securities Act. See "Subscription and Sale".
Interest and Interest Payment Dates	The Notes will bear interest at the rate of 1.75 per cent. per annum, payable annually in arrear on 15 July in each year commencing on 15 July 2016.
Status of the Notes and the Guarantee	The Notes are direct, unconditional, unsubordinated and (subject to the Terms and Conditions) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the Terms and Conditions of the Notes) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Further Issues	The Issuer may from time to time without the consent of the holders of the Notes create and issue further notes or bonds either (i) ranking *pari passu* in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes or (ii) upon such terms as the Issuer may determine at the time of issue. See "Terms and Conditions of the Notes — Further Issues".

Negative Pledge	So long as any Note remains outstanding, the Issuer and the Guarantor will not, and the Guarantor will procure that none of its other Subsidiaries (except Listed Subsidiaries) will, create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues present or future to secure the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness, or any guarantee of or indemnity given in respect of the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes or, as the case may be, the Guarantor's obligations under the Guarantee (a) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders. See "Terms and Conditions of the Notes — Negative Pledge".
Payments	All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions. See "Terms and Conditions of the Notes — Taxation".
Optional Redemption	The Issuer may, at any time upon giving not less than 30 nor more than 60 days' notice to Noteholders (which notice shall be irrevocable), redeem the Notes, in whole but not in part, at their Early Redemption Amount. See "Terms and Conditions of the Notes — Redemption and Purchase — Optional Redemption".
Redemption for Taxation Reasons	Unless a notice of redemption under "Terms and Conditions ofthe Notes — Redemption and Purchase — Optional Redemption", has been given to the Noteholders, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with accrued interest, in the event that the Issuer or the Guarantor would be required to pay additional amounts as provided or referred to in Condition 9 in respect of the Notes as a result of any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, subject to certain conditions. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Taxation Reasons".

Redemption upon Change of Control	A Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, or some only, of such Noteholder's Notes at their principal amount together with accrued interest following the occurrence of a Change of Control with respect to the Guarantor. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption upon Change of Control".
Form and Denomination	The Notes will be issued in registered form in amounts of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will initially be represented by a Global Certificate, in registered form and without coupons, deposited on or before the Closing Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, the records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Trust Deed, definitive certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate. See "The Global Certificate". The securities codes for the Notes are as follows: **ISIN** — **Common Code** XS1236611684 — 123661168
Clearing	Euroclear and Clearstream.
Governing Law	English law.
Ratings	The Notes are expected to be rated "BBB+" by Fitch Ratings and "Baa1" by Moody's Investor Services, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Issuer.
Trustee	DB Trustees (Hong Kong) Limited.
Registrar	Deutsche Bank Luxembourg S.A.
Principal Paying Agent and Transfer Agent	Deutsche Bank AG, Hong Kong Branch.

Listing	Application has been made to the Irish Stock Exchange plc for the approval of this Offering Circular as Listing Particulars and for the Notes to be admitted to the Official List and to trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. Application has been made to the Hong Kong Stock Exchange for listing of, and permission to deal in, the Notes by way of debt issues to professional investors only.
Use of Proceeds	The net proceeds of the issue of the Notes will be used to finance new and existing projects, to repay and/or refinance the existing indebtedness of the Group and for general corporate purposes. See "Use of Proceeds".

RISK FACTORS

In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Notes. The risks and uncertainties described below may not be the only ones that the Issuer, the Guarantor or the Group face. Additional risks and uncertainties that the Issuer, the Guarantor and the Group are not aware of or that they currently believe are immaterial may also adversely affect their respective business, financial condition or results of operations. If any of the possible events described below occurs, the Issuer's, the Guarantor's or the Group's business, financial condition or results of operations could be materially and adversely affected. In such case, the Issuer or the Guarantor or the Group may not be able to satisfy their obligations under the Notes or the Guarantee (as applicable), and investors could lose all or part of their investment.

RISKS RELATING TO THE GROUP'S BUSINESSES

The Group depends significantly on the performance of the residential property markets in Mainland China, Hong Kong and Macau, particularly in a number of major cities in the PRC where the Group has or will have operations.

The property interests of the Group are subject to certain risks inherent in the ownership of, investment in and development of real estate properties. These risks include, but are not limited to, the cyclical nature of property markets, changes in general economic, business and credit conditions, changes in government policies or regulations affecting the real estate sector, building and other raw materials shortages, fluctuations in interest rates and the costs of labour and materials. The Group's property interests are also affected by the strength of the economies of the jurisdictions and regions in which it conducts its business, in particular the PRC.

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major cities in the PRC, including Shanghai and Beijing in the early 1990s, culminated in oversupply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Beginning in the late 1990s, private residential property prices and the number of residential property development projects increased in major cities as a result of an increase in demand driven by domestic economic growth. In recent years, the overall demand for private residential properties in China, particularly properties in a number of major PRC cities (including those in which the Group holds properties) has grown rapidly. However, the market has also experienced fluctuations in property prices during the same period. There have been increasing concerns over housing affordability and the sustainability of market growth. In addition, demand for properties in the PRC has been adversely affected and will continue to be so affected by the macroeconomic control measures recently implemented by the PRC government and the current global economic downturn. For example, on 26 January 2011, the General Office of the State Council issued the Notice Concerning Further Improving the Regulation of the Real Estate Market, which, among other things, raised the minimum downpayment for second house purchases from 50 per cent. to 60 per cent., with the minimum lending interest rate at 110 per cent. of the benchmark rate. In March 2015, such minimum down payment requirement for second house purchases was reduced to 40 per cent. by the PRC government. For further information on these policies and measures, see "Industry Overview — PRC Property Market". Furthermore, many cities have promulgated measures to restrict the number of houses one family is allowed to newly purchase in order to implement the aforesaid Notice, such as Guangzhou, Tianjin, Beijing, Shanghai, Suzhou, Qingdao, Jinan, Chengdu and Foshan. There can be no assurance that the demand for new residential properties, where the Group has or will have operations, will continue to grow in the future or that there will not be over-development or market downturns in the domestic residential property sector. Any such adverse development and the ensuing decline in property sales or decrease in property prices in the PRC may adversely affect the Group's business and financial condition.

Since the Asian economic downturn in 1997, the Hong Kong property market has been volatile, with significant fluctuations in property prices and transaction volumes. Similarly, the residential property market in Macau has been volatile in recent years.

The Group depends significantly on the performance of the Mainland China, Hong Kong and Macau property markets, particularly in major cities where the Group has made substantial investments, as well as other major cities where it is developing properties. As the Group continues to be dependent, to a significant extent, on the overall state of the PRC property sector, a decline in the performance of this property sector could adversely affect the Group's turnover. Any material adverse developments with respect to the property markets in the PRC, Hong Kong or Macau could have an adverse effect on the Group's business, financial condition and results of operations.

The relevant PRC tax authorities may challenge the basis on which the Group calculates its LAT obligations.

Under PRC tax laws and regulations, subsidiaries of the Guarantor in the PRC are subject to LAT, which is collected by local tax authorities. All income from the sale or transfer of land use rights relating to state-owned land, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30 per cent. to 60 per cent. of the appreciation value as defined by the relevant tax laws.

On 28 December 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises which came into effect on 1 February 2007 (the "LAT Notice"). Under the LAT Notice, local tax authorities can formulate their own implementation rules according to the notice and local situations. In the event that the local authorities governing cities in which the Group undertakes development projects promulgate implementation rules which require the Group to settle all unpaid LAT, it could adversely affect the Group.

Certain exemptions to LAT are available for the sale of certain residential houses if the appreciation values do not exceed 20 per cent. of the total deductible items as defined in the relevant tax laws. The Group's management believes that it estimates and makes provision for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations, but only pays a portion of such provision each year as required by the local tax authorities. Although the Group's management believes that such provisions are sufficient, there can be no assurance that the tax authorities will agree with the basis on which the Group calculates its LAT obligations. In the event that the local tax authorities believe a higher rate of LAT should be paid, the financial position of the Group may be adversely affected.

The Group may not always be able to replenish its land bank.

The Group derives its turnover principally from the sale of properties that it has developed. To have a steady stream of developed properties available for sale and growth in the long term, the Group needs to replenish and increase its land bank with properties that are suitable for development. Its ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond its control.

The availability of substantially all of the land in Mainland China is controlled by the PRC government. Thus the PRC government's land policies have a direct impact on the Group's ability to acquire land use rights for development and its costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers. For example, any subsequent re-zoning by the PRC government could adversely affect the Group's ability to obtain land use rights. If the Group fails to acquire sufficient land bank suitable for development in a timely manner and at acceptable prices, its prospects and competitive position may be adversely affected and its growth potential and performance may be materially adversely affected.

The Group faces a number of development, construction and approval risks associated with the development of properties. The Group's properties may not be completed according to planned schedules and may not generate the levels of expected turnover or contemplated investment returns.

There are a number of construction, financing, operating and other risks associated with construction and property developments. Projects of the types undertaken by the Group typically require substantial capital expenditures during the construction phase and usually take many months, sometimes years, before they become operational and generate turnover. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these circumstances could give rise to delays in the completion of construction or to cost overruns.

In relation to the Group's property development projects in the PRC, certain government approvals, permits, licenses or consents, such as the permit to commence pre-sales, will need to be obtained. As at the date of this Offering Circular, the real property development enterprise qualifications of four of the Group's subsidiaries in the PRC have expired and these subsidiaries are in the process of applying for renewal of these qualifications. Delays in the process of obtaining, or a failure to obtain, the requisite licenses, permits or approvals from government agencies or authorities may increase the cost or delay or prevent the commencement of a project, which could adversely affect the financial condition of the Group.

Construction delays may result in the loss of turnover. The failure to complete construction according to specifications may result in liabilities, reduced efficiency and lower financial returns. There can be no assurance that the Group's projects will continue to be completed substantially on schedule or that future projects will be completed on time, or at all, and generate satisfactory returns.

In addition, the Group engages CSCECL and certain third-party contractors to provide it with various services including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators. There is no assurance that the services rendered by any of the third-party contractors will be satisfactory. The Group is also exposed to the risk that a contractor may require additional capital in excess of the price originally tendered to complete a project and it may have to bear such additional amounts. Furthermore, there is a risk that major contractors may experience financial or other difficulties which may affect their ability to carry out construction works, thus delaying the completion of the Group's development projects or resulting in additional costs for the Group. All of these factors could adversely affect the Group's financial condition, business and reputation.

Changes to laws and regulations with respect to pre-sales may materially affect the Group's business, cash flow position and financial condition.

The Group depends on revenues from the pre-sales of its properties as an important source of funding for its property projects. There is no assurance that the Group will be able to continue achieving sufficient pre-sales to fund a particular development. Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence the pre-sale of properties and may only use pre-sale proceeds to finance the development of such properties. In August 2005, the People's Bank of China (the "PBOC") recommended in a report entitled "2004 Real Estate Financing Report" the discontinuation of the practice of the pre-sale of unfinished properties because such practices, in the PBOC's opinion, create significant market risks and generate transactional irregularities. Although this and similar recommendations have not been adopted by the PRC government, there can be no assurance that the PRC government will not adopt such recommendations and ban the practice of the pre-sale of unfinished properties or implement further restrictions on the pre-sale practice, such as imposing additional conditions for obtaining a pre-sale permit or imposing further restrictions on the use of pre-sale proceeds. Any restriction on the Group's ability to pre-sell its properties, including any increase in the amount of up-front expenditure it must incur prior to obtaining a pre-sale permit or any restriction on its ability to utilise the pre-sale proceeds, including future changes to laws and regulations governing the use of pre-sale proceeds, would extend the time required to recover the Group's capital outlay and could require it to seek alternative means to finance the various stages of its developments, which, in turn, could adversely affect its financial condition, business and cash flow position.

The Group may not be able to effectively manage its expansion and growth.

The Group has grown rapidly in the past. For example, property sales (including those of its joint ventures and associates) were approximately HK$140.8 billion in 2014. As it continues to acquire properties for development and management, whether through internal growth, merger and acquisition or otherwise, such expansion may place a strain on the Group's managerial, operational and financial resources, and will contribute to an increase in its financing requirements. On 7 May 2015, the Group completed the Asset Acquisition and acquired the Acquired Assets from CSCECL with a total GFA of approximately 10.9 million square metres (without taking into account the proportionate interest of the relevant members of the Target Group). As a result of the Asset Acquisition, the land bank of the Group increased by approximately 29.1 per cent., compared to its total land bank of 37.4 million square metres as at 31 December 2014 (without taking into account the proportionate interest of the relevant members of the Group). See "The Group — Recent Developments — Asset Acquisition". The Group's planned expansion is based on its forward-looking assessment of market prospects. There is no assurance that the Group's assessments will turn out to be accurate or that the asset acquisition will materialise. Any failure in effectively managing the Group's expanded operations may adversely affect its business, financial condition and results of operations.

The Group may face challenges in integrating the property projects acquired pursuant to the Asset Acquisition.

On 7 May 2015, the Group completed the Asset Acquisition and acquired the Acquired Assets from CSCECL with a total GFA of approximately 10.9 million square metres (without taking into account of the proportionate interest of the relevant members of the Target Group). These newly acquired property projects represented almost all of the remaining property development projects held by CSCECL and its related group companies in the PRC and London, except for those operated by CSCECL's subsidiary construction bureaus and design institutes. As a result of the Asset Acquisition, the land bank of the Group increased by approximately 29.1 per cent., compared to its total land bank of 37.4 million square metres as at 31 December 2014 (without taking into account of the relevant members of the Group). See "The Group — Recent Developments — Asset Acquisition".

Even though many of the property projects acquired pursuant to the Asset Acquisition have been managed by the Group pursuant to an entrustment management arrangement between the Group and CSCECL since January 2014, no assurance can be given that the Group will be able to integrate the Acquired Assets successfully. In particular, any discovery of information relating to the Acquired Assets including local legal and regulatory requirements, may have an adverse impact on the Acquired Assets. In addition, managing and operating an enlarged property portfolio may divert management's attention from the operation and management of the Group's existing businesses. If the Group is not able to realise the benefits of the Asset Acquisition envisaged, or to successfully integrate the Acquired Assets into its existing property portfolio, the Group's business, financial position and operational performance may be adversely affected.

The Group's businesses require substantial capital investment.

The Group may require additional financing to fund investment in stock of properties and deposits for land use rights for property development, to support the future growth of its business and to refinance existing debt obligations. The Group's core businesses may require substantial capital investment, particularly for its property development and property investment segments. For example, the Group had negative cash flow from operating activities of HK$10.1 billion and HK$4.6 billion for the years ended 31 December 2013 and 2014 respectively. As a result of the Group's significant and rapid growth in the scale of development activities and business operations, there is no assurance that the Group will be able to generate positive operating cash flow in the near future. Negative operating cash flow requires the Group to obtain sufficient external financing to meet the financial needs and obligations. The Group has historically required and may in the future continue to require and raise substantial amounts of external financing to fund its capital expenditures. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's businesses, provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital and political and economic conditions in Mainland China, Hong Kong and Macau. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or obtained on terms favourable to the Group.

The fair value of the Group's investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially adversely impact its profitability.

The Group is required to reassess the fair value of its investment properties at the end of every reporting period for which it issues financial statements. Under HKFRS, gains or losses arising from changes in the fair value of investment properties are included in the Group's income statement in the period in which they arise. The significant increase in the fair market value of the Group's investment properties in the three years ended 31 December 2012, 2013 and 2014 was primarily due to the addition of new investment properties and the overall appreciation of the existing investment properties. Fair value gains or losses do not, however, change the Group's cash position as long as the relevant investment properties are held by the Group and, therefore, do not increase its liquidity in spite of the increased profit. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. There can be no assurance that changes in the market conditions will continue to create fair value gains on the Group's investment properties at the previous levels or at any level at all, or that the fair value of the Group's investment properties will not decrease in the future. In particular, the fair value of its investment properties could decline in the event that the PRC property industry experiences a downturn as a result of PRC government policies aimed at "cooling-off" the PRC property market, or the global economic downturn and financial market crisis since mid-2008. Any significant decreases in the fair value of the Group's investment properties may materially and adversely impact its results of operations.

The Group may be forced to forfeit its land use rights without compensation if the Group fails to comply with the terms of the land grant contracts.

Under PRC laws, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), the relevant local government authority may give a warning to or impose a penalty on the developer or forfeit the land granted to the developer. Under the current PRC laws and regulations, if a developer fails to pay any outstanding land premium by the stipulated deadline, it may be subject to a late payment penalty calculated on a per-day basis. In addition, if a developer fails to commence development of a property project within the stipulated period as required under the current PRC laws without the approval from the relevant PRC land bureau, the relevant PRC land bureau may serve a warning notice on the developer and impose an idle land fee of up to 20 per cent. of the land premium unless such failure is caused by a government action or a force majeure event. Even if the commencement of the land development complies with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than 25 per cent. of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land. The Notice on Promoting Economisation of Land Use issued by the State Council of China (the "State Council") in January 2008 further confirmed the idle land fee at 20 per cent. of the land premium. If a developer fails to commence such development for more than two years, the land is subject to forfeiture without compensation to the PRC government unless the delay in development is caused by government actions or force majeure. Although the Group has never been subject to any such penalties, or required to pay substantial idle land fees or forfeit any of its land in the PRC, there can be no assurance that circumstances leading to possible forfeiture of land or delays in the completion of a project may not arise in the future.

Resettlement arrangements relating to the Group's future and potential developments may be subject to negotiation and any failure to reach agreement may affect the Group's schedule to develop the relevant projects.

Under PRC laws and regulations, the relevant local government authority is responsible for the expropriation of the lands and buildings and is required to pay compensation to residents of a site to be cleared prior to construction. If the relevant local government authority responsible for the expropriation and the party subject to the expropriation fail to reach agreement for compensation and resettlement within certain period, the relevant local government authority may make the final decision on the plan of expropriation. If the party subject to the expropriation is not satisfied with such decision, it may initiate administrative proceedings in court which may cause delays to the Group's development schedule for the relevant project. In addition, any such delays to the Group's development schedule may lead to an increase in costs and a delay in the expected cash inflow resulting from pre-sales of the relevant project, which may in turn adversely affect the Group's business, financial position and operational performance.

The Group is exposed to general risks associated with the ownership and management of real property.

Property investment is generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale. Such illiquidity also limits the ability of the Group to vary its portfolio in response to changes in economic or other conditions. Moreover, the Group may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to its illiquidity.

Property investment is subject to risks incidental to the ownership and management of residential, office and retail properties, including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

The Group has provided guarantees to secure obligations of purchasers of its properties for repayments. Defaults by a significant number of purchasers would adversely affect the Group's financial condition.

In the PRC, the Group has provided short-term pre-registration guarantees in favour of banks which provided mortgage facilities for purchasers of the Group's properties to secure such purchasers' repayment obligations. See "The Group — Property Development — Property Development Process — Payment method and mortgage financing". As at 31 December 2014, the Group's outstanding guarantees in respect of the mortgage loans of its customers amounted to approximately HK$17,404 million. Under the terms of the pre-registration guarantees, if, during the term of the guarantee (from the date of the mortgage up to typically either submission of the relevant property ownership certificates to the mortgagee bank or completion of the registration of the mortgage, which, when submission of relevant ownership certificates is required, usually lasts for up to 18 months, but is shorter in other situations), a borrower defaults on its repayment obligation, the Group will be liable to pay to the banks the amount owing to them from the purchaser, but the Group will have the right to take possession of and re-sell the mortgaged property. Defaults by a significant number of the Group's purchasers for whom the Group has provided guarantees could adversely affect the Group's financial condition.

Potential liability for non-compliance with environmental laws and regulations could result in substantial costs.

The Group is subject to a variety of laws and regulations concerning the protection of health and environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. As the PRC government increases its focus on the environment, the Group's projects may be more strictly reviewed and inspected, and approval processes for future projects or any alteration to existing projects may be prolonged. In addition, the Group may incur ongoing costs of compliance with environmental laws and regulations in the context of its property management business. Efforts taken to comply with environmental laws and regulations may result in delays in development, cause the Group to incur substantial compliance costs and prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project developed by the Group is required to undergo environmental assessments and the Group is required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencement of its construction. It is possible that there are potential material environmental liabilities of which the Group is unaware. In addition, it cannot be assured that the Group's operations will not result in environmental liabilities or that the Group's contractors will not violate any environmental laws and regulations in their operations that may be attributed to the Group. Investors should refer to the section entitled "The Group — Environmental and Safety Matters" for more information in respect of environmental matters.

The Group's business is sensitive to global economic conditions. A severe or prolonged downturn in the global economy could materially and adversely affect the turnover and results of operations of the Group.

Recent global market and economic conditions have been challenging with tight credit conditions and recession in most major economies. The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. On 6 August 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

Continued concerns about the systemic impact of potential long-term and widespread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for economic growth around the world. The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains high, and recovery in the housing market remains subdued. In addition, the U.S. Federal Reserve has been implementing a quantitative easing program whereby long-term interest rates have been kept low in order to stimulate the U.S. economy. The U.S. Federal Reserve has been tapering such quantitative easing and no assurance can be given as to how long such quantitative easing will continue. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. Mainland China's economic growth may slow down due to weakened exports.

The economic outlook has negatively affected business and consumer confidence and contributed to significant levels of volatility. Any recurrence of a global financial crisis, which could potentially be sparked by the recent market volatility attributed to concerns over Greece and several other European countries, may cause a further slowdown in the PRC economy. Continued turbulence in the international markets and prolonged declines in consumer spending, as well as any slowdown of economic growth in Mainland China, may continue to adversely impact home owners and potential property purchasers, which may in turn adversely affect the business, results of operations and financial condition of the Group.

The Group's financing costs are subject to changes in interest rates.

Changes in interest rates have affected and will continue to affect the Group's financing costs and, ultimately, its results of operations. As at 31 December 2014, the Group had total borrowings of HK$94.53 billion (inclusive of bank loans and guaranteed notes payable only) and the costs of certain Renminbi, United States dollar and Hong Kong dollar denominated borrowings, representing 43.9 per cent. of the Group's borrowings, were subject to changes in interest rates. As at 31 December 2014, the average interest rate on the Group's outstanding Renminbi borrowings was substantially higher than the average interest rate on its outstanding Hong Kong dollar borrowings. There can be no assurance that interest rates will not rise in the PRC or in Hong Kong. To the extent that interest rates increase in respect of any of the Group's borrowings (in particular, its bank borrowing with floating rates) and the Group is not able to pass on such costs to purchasers of its properties, the Group's business, financial condition and results of operations could be adversely affected. Any further increase in these interest rates will increase the Group's financing costs and may materially and adversely affect its business, financial condition and results of operations.

The Group may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar.

Hong Kong dollar and U.S. dollar denominated borrowings accounted for approximately 82.0 per cent. of the Group's total borrowings as at 31 December 2014 and the Notes are denominated in Euro, while substantially all of the turnover generated by the Group's PRC subsidiaries and their assets are denominated in Renminbi. Hence, the Group has foreign exchange risk from the possibility of a depreciation of Renminbi against Hong Kong dollar, U.S. dollar, Euro and other currencies in which the Group's borrowing are denominated. Pursuant to reforms of the exchange rate system announced by the PBOC on 21 July 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from 18 May 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate, effective on 21 May 2007. This floating band was increased to 1.0 per cent. on 16 April 2012 and further increased to 2.0 per cent. on 27 March 2014. This allows the Renminbi to fluctuate against the U.S. dollar by up to 2.0 per cent. above or below the central parity rate published by PBOC. Other governments have renewed pressure on the PRC government to alter its exchange rate system, and it is possible that the PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. There are limited hedging instruments available to reduce the Group's exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, the Group does not have any hedging arrangements in place to reduce its exposure to such risks. If such reforms were implemented and resulted, or there was for any other reason, a devaluation in the value of the Renminbi against the U.S. dollar, the Hong Kong dollar, Euro or other currencies in which the Group's borrowing due denominated, such a devaluation could adversely affect the value, translated or converted into those currencies, of the earnings of the Group's PRC subsidiaries and could also cause the amounts due under the Group's non-Renminbi denominated borrowings to increase (measured in Renminbi terms).

The Group's controlling shareholders are able to control the Group's corporate policies and direct the outcome of corporate actions.

Upon the issuance of new shares to COHL in connection with the Asset Acquisition on 18 May 2015, approximately 61.18 per cent. of the Guarantor's outstanding shares were beneficially owned by COHL together with COHL's wholly-owned subsidiary, Silver Lot Development Limited. COHL in turn is wholly owned by CSCECL, a company listed on the Shanghai Stock Exchange since 2009, approximately 56.15 per cent. of which was owned (as at 31 December 2014) by its parent company, China State Construction Engineering Corporation ("CSCEC"). CSCEC is a state-owned construction group that is one of the 112 core state-owned enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission ("SASAC") of the PRC government. The Guarantor, therefore, is ultimately controlled by CSCEC. See "China State Construction Engineering Corporation" elsewhere in this Offering Circular. Subject to compliance with applicable laws, by maintaining such ownership, COHL, CSCECL and CSCEC are able to control the Group's corporate policies, appoint and/or replace the Group's directors and officers and vote on corporate actions requiring shareholders' approval. The strategic goals and interests of COHL, CSCECL and CSCEC may not always be aligned with the Group's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. Likewise, the Group benefits from financial and other support provided by its controlling shareholders and no assurance can be given that such support will continue to be available in the future. The interests of the Group's controlling shareholders may differ from those of the holders of the Notes.

The Group's success depends on the continuing efforts of its senior management team and other key personnel and its business may be harmed if the Group loses their services.

The Group's future success depends heavily on the continuing services of the members of its senior management team. If one or more of the Group's senior executives or other key personnel are unable or unwilling to continue in their present positions, the Group may not be able to replace them easily or at all, its business may be disrupted and its financial condition, results of operations and prospects may be materially and adversely affected. Competition for senior management and key personnel is intense while the pool of qualified candidates is very limited, and the Group may not be able to retain the services of senior executives or other key personnel, or attract and retain high-quality senior executives or other key personnel in the future. Furthermore, the Group may lose the services of senior executives or other key personnel if the Guarantors' controlling shareholders (one of which, CSCEC, is a core state-owned enterprise) choose to shuffle the management teams of such shareholders' subsidiaries or otherwise choose to change the composition of the Guarantor's management and key personnel team. In addition, if any member of the senior management team or any other key personnel joins a competitor or forms a competing company, the Group may lose customers and key professionals and staff members.

The terms on which mortgages are available, if at all, may affect the Group's sales levels.

Most of the Group's purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50 per cent. of an individual borrower's monthly income. In addition, to curtail the overheating of the property sector, between 2006 and 2008, the PRC government implemented, among other things, regulations that increased the down payment requirement for mortgage loans in respect of residential and commercial properties. Since September 2007, for second home buyers that use mortgage financing, the PRC government has increased the minimum down payment to 40 per cent. of the purchase price with maximum mortgage loan interest rates at 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate. Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government lowered the minimum interest rate for individual mortgage loans to 70 per cent. of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio for residential properties was lowered to 20 per cent. for units with a unit floor area of less than 90 square metres per unit. Since 17 April 2010, the PRC government has increased the minimum down payment requirement for second-home buyers that use mortgage financing to 50 per cent. of the purchase price with maximum mortgage loan interest rates at 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate. In January 2011, the General Office of the State Council issued the Notice on Further Improving the Regulation of the Real Estate Market, under which a household that borrows a mortgage loan for the purchase of a second residential property must make a down payment of not less than 60 per cent. of the purchase price and pay a mortgage rate which is not lower than 110 per cent. of the benchmark interest rate. Such down payment requirement was reduced to 40 per cent. in March 2015. If the availability or attractiveness of mortgage financing is reduced or limited, many of the Group's prospective customers may not be able to purchase the Group's properties and, as a result, the Group's business, liquidity and results of operations could be adversely affected.

In line with industry practice, the Group provides guarantees to banks for mortgages they offer to purchasers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of the Group's properties, which could adversely affect its business, financial condition and results of operations. The Group cannot assure investors that such changes in laws, regulations, policies or practices will not occur in the future.

Certain of the Group's businesses are conducted through joint ventures.

The Group has substantial investments in joint venture companies formed to develop, own and operate property in the PRC. Although the Group has historically maintained a certain level of control over the projects through ownership of a controlling interest or management in order to impose established financial control, management and supervisory techniques, property investment and development in the PRC may often involve the participation of local partners in the PRC, and joint ventures in the PRC may involve special risks or problems associated with joint venture partners, including, among other things, reputational issues, inconsistent business interests or one or more of the partners experiencing financial difficulties and exposing the Group to credit risk. Should such problems occur in the future they could have a material adverse effect on the business and prospects of the Group.

Any unauthorised use of a brand or trademark of the Group may adversely affect its business.

The Group uses its brand name "China Overseas Property" ("中海地產") in the PRC and owns certain trademarks that it uses in its business. The Group relies on the PRC intellectual property and anti-unfair competition laws and contractual restrictions to protect its brand name and trademarks. The Group's management believes its brand, trademarks and other intellectual property rights are important to the success of the Group's business. Any unauthorised use of its brand, trademarks and other intellectual property rights could harm the Group's competitive advantages and business. Historically, Mainland China has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in the PRC. Monitoring and preventing unauthorised use is difficult. The measures taken by the Group to protect its intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in Mainland China and abroad is uncertain and evolving, and could involve substantial risks to the Group. If the Group is unable to adequately protect its brand, trademarks and other intellectual property rights, its reputation may be harmed and its business may be adversely affected.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

There have been a number of publicised cases involving fraud or other misconduct by employees or third parties in connection with companies in China in recent years. Fraud and other misconduct by employees or third parties may be difficult to detect and prevent and could subject the Group to financial losses and sanctions imposed by governmental authorities or could seriously harm the Group's reputation. Any failure by executive officers, employees, key shareholders and other agents to fully adhere to the PRC or other applicable laws (including but not limited to anti-corruption laws), or any allegation or investigation by any governmental or regulatory authority for any such breaches could also materially and adversely affect the Group's reputation and its business, financial condition and results of operations. A long and public regulatory investigation or judicial process may result in negative publicity and media speculation and have an adverse effect on the reputation of the Group. There is a risk that these matters could result in volatility in the price of the Company's outstanding debt securities, as well as potentially taking up a significant amount of management time and diverting management attention from the business of the Group.

The Group is subject to uninsured risks.

The Group maintains insurance coverage on all of its properties under construction, third party liabilities and employer's liabilities. The insurance policies generally cover the period from the commencement of construction of the properties by the Group up to the transfer of the completed properties to its customers. However, certain types of losses due to events such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters are not covered as they are either uninsurable or not economically insurable. This practice is consistent with what the Group's management believes to be the industry practice in Mainland China, Hong Kong and Macau. Accordingly, there may be circumstances in which the Group will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect its financial position and results of operations.

RISKS RELATING TO THE PRC

Policy initiatives in the financial sector to further tighten lending requirements for property developers may limit the Group's flexibility and ability to use bank loans or other forms of financing to finance the Group's property developments and therefore may require the Group to maintain a relatively high level of internally sourced cash.

The Group's ability to arrange adequate financing for land acquisitions or property developments on terms that will allow it to earn reasonable returns depends on a number of factors, many of which are beyond the Group's control. The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, the PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. However, between September 2008 and December 2008, in order to stimulate the PRC economy, the PBOC decreased the reserve requirement ratio for commercial banks four times, from 17.5 per cent. to 15.5 per cent. In addition, PBOC has adjusted the reserve requirement ratio for commercial banks 17 times since January 2010. The reserve requirement ratio currently is 18.5 per cent., which took effect on 20 April 2015. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Further increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including the Group, by commercial banks in Mainland China.

The Group cannot assure investors that the PRC government will not introduce other initiatives which may limit the Group's access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit the Group's flexibility and ability to use bank loans or other forms of financing to finance the Group's property developments and therefore may require the Group to maintain a relatively high level of internally sourced cash. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's business is subject to extensive government regulation and is susceptible to policy changes in the PRC property sector.

The Group's business is subject to extensive government regulation. As with other PRC property developers, the Group must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. In addition, the PRC government may adopt additional and more stringent industry policies, regulations and measures in the future. If the Group fails to adapt its operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt the Group's business or cause it to incur additional costs, the Group's business prospects, results of operations and financial condition may be materially and adversely affected.

The PRC government may adopt further measures to slow down growth in the property sector.

Along with the economic growth in Mainland China, investments in the property sector have increased significantly in the past few years. In response to concerns over the increase in property investments, from 2003 through 2011, the PRC government introduced various policies and measures to curtail property developments, including:

- requiring state-owned land use rights to be sold by competitive bidding, public auction or public trading through land exchanges, thus potentially increasing the land acquisition costs of property developers;

- requiring real estate developers to fund at least 20 per cent. of the total investment amount of any property development project designated as affordable housing projects and ordinary commodity housing projects with their own capital and at least 30 per cent. of the total investment amount of other real estate projects;

- restricting the change of land use rights, in particular, the conversion of rural and agricultural land use rights into property development purposes;

- limiting the monthly mortgage payment to 50 per cent. of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55 per cent. of his or her monthly income;

- suspending land supply for villa construction and restricting land supply for high-end residential property construction;

- requiring that at least 70 per cent. of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;

- requiring that at least 70 per cent. of the total development and construction area of residential projects approved or constructed on or after 1 June 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square metres and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the PRC Ministry of Construction (currently known as the PRC Ministry of Housing and Urban-Rural Development);

- requiring any first-time home owner to pay a minimum down payment of 30 per cent. of the purchase price of the underlying property if the purchaser is buying the property as a primary residence;

- requiring any second-time home buyer to pay an increased minimum down payment of 60 per cent. of the purchase price of the underlying property and an increased minimum mortgage loan interest rate at 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate;

- since 29 September 2010, requiring commercial banks to temporarily suspend the grant of mortgage loans to any third-time (or beyond) home buyers if they deem it appropriate according to the risks involved, and to suspend the grant of mortgage loans to any non-local home buyers who are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more; permitting local governments to, based on actual circumstances, impose temporary restrictions during a certain period of time on the number of properties that can be purchased. Since 30 September 2010, a number of cities in the PRC have issued measures to restrict the number of properties which may be purchased by residents;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum down payment of 50 per cent. of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum down payment to 45 per cent. of the purchase price of the underlying property, with the other terms similar to those for commercial properties;

- prohibiting commercial banks from extending any loan to a property development project unless all of the "four permits" (land use right certificate, construction land planning permit, construction work planning permit and construction project building permit) have been obtained;

- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties to further strengthen the administration and regulation of the land and construction of real property. If an enterprise develops land in violation of contract or leaves the land idle for one year, the administration authorities of land and resources will prohibit bidders associated with such enterprise and its controlling shareholders from engaging in land bidding activities;

- effective from 1 January 2010, imposing a business tax levy on the entire sales proceeds from the resale of non-ordinary residential properties of which the holding period is shorter than five years; allowing such business tax to be levied on the difference between the price for such resale and the original purchase price in the event that an individual sells a non-ordinary residential property after holding it for five years or longer, or sells an ordinary residential property after holding it for less than five years; and imposing no sales tax for any individual who sells an ordinary residential property after holding it for five years or longer;

- requiring any instalment payments of land premium as agreed in the land grant contract between the relevant municipal or county administrative authority and the grantee, in general, to be made in full within one year; in the case of a special project recognised by the relevant local authority, the instalment payments may be made in full within two years. The first instalment must account for at least 50 per cent. of the total land premium;

- requiring the deposit for land auction or bidding to be not less than 20 per cent. of the base price. After the deal of land transfer has been reached, the land transfer agreement shall be signed within 10 business days, 50 per cent. of the land premium shall be paid within one month after the signing of the land transfer agreement and the payment of remaining land premium shall be made within one year;

- requiring the relevant municipal or county administrative authority to prohibit a real estate developer who fails to pay the land premium when due, leaves the land idle, hoards or speculates on land, undertakes land development beyond its capacity, or who fails to perform its obligations under the land use contract from participating in any competitive bidding for land within a certain period of time;

- where the pre-sale permit is yet to be received for a commodity housing project, prohibiting the real estate developer from receiving any form or disguised form of payment from the purchasers which is in the nature of earnest money or deposit; requiring real estate developers to disclose within ten days of the receipt of the pre-sale permit all the properties approved for pre-sale and the price of each property unit, and to sell the properties at the prices which are the same as the prices submitted in the pre-sale proposal;

- imposing additional restrictions on the types of property developments in which foreign investments may engage such as the development of an entire land lot and the development of high end hotels, villas, premium office buildings and international conference centres;

- disallowing commercial banks to grant loans for newly developed projects and renewal of loan terms to real estate developers that have records of violation of laws and regulations as a result of, among other things, rendering the land idle, changing the purpose and nature of land, delaying the construction commencement and completion time and refusing to sell out the properties;

- the types of houses subject to purchase restrictions shall include all newly-constructed commercial housing and second-hand housing. The house purchase eligibility shall be examined before the conclusion of a house purchase contract (or a letter of purchase intent). For the time being, houses within the administrative regions of a city shall not be sold to a family without local household register that already owns one or more houses, and a family without local household register that is unable to provide proofs for a certain number of consecutive years of local tax payment or social insurance contribution; and

- tax authorities shall levy individual income tax payable on the sales of owner-occupied houses at 20 per cent. of the transfer gain in strict accordance with the law if the original value of the houses sold can be verified through historical information, such as tax collection and administration records and house registration.

Although in the second half of 2008 and in 2009, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage consumption in the residential property market and to support real estate development, including reducing the minimum capital funding requirement for real estate development from 35 per cent. to 20 per cent. for affordable housing projects and ordinary commodity residential property projects and to 30 per cent. for other property projects, there can be no assurance that the PRC government will not change or modify these temporary measures in the future. For example, in December 2009 and January 2010, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. At the same time, the PRC government abolished certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners and imposed more stringent requirements on the payment of land premium by property developers. In 2010, the PRC government increased the interest rate of mortgage loans for the purchase of a second residential property and required commercial banks to suspend granting of housing loans to any household that intends to purchase its third residential property and beyond, and non-local residents who are unable to provide a local tax-payment certificate or social insurance contribution payment certificate for a term of one year or longer.

On 26 February 2013, the General Office of the State Council issued the Notice of the State Council on Continuing to Coordinate the Regulation of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) which stipulates that local governments shall:

(i) Improve the mechanism of work responsibility for the stabilization of real estate prices, measures including requiring the relevant departments under the State Council to strengthen the supervision and inspection of the stability of prices. The provincial people's government shall conduct interviews if local governments in its jurisdiction fail to implement housing purchase restrictions.

(ii) Continue to regulate investment purchasers, to implement and improve the purchase restriction measures; using taxation as a means to adjust the real estate price; the tax bureau and housing construction departments shall closely coordinate and levy individual income tax at a tax rate of 20per cent. according to the regulations.

(iii) Increase the land supply for residential commodity properties, and that the total supply for residential land in 2013 in principle shall be no less than the average land supply in the past five years.

(iv) Accelerate the planning and construction of affordable housing project.

(v) Improve market supervision and expectation management.

On 30 March 2013, General Office of the Municipal People's Government of Beijing issued a Notice on Implementation of Notice of the State Council on Continuing to Coordinate the Regulation of the Real Estate Market and Further Improving the Regulation of Beijing Real Estate Market (《北京市人民政府辦公廳貫徹落實《國務院辦公廳關於繼續做好房地產市場調控工作的通知》精神進一步做好本市房地產市場調控工作的通知》). Pursuant to this notice, Beijing will continue to strictly implement the restrictive measures on real estate properties purchase. Starting from the following day of the issuance of this notice, each Beijing resident who is single is allowed to purchase one property only if such resident has not yet purchased any properties previously, and is prohibited from purchasing other properties if he/she already owns properties. In addition, for the individual income tax levied on individuals, if the original purchase price can be verified through the registration information with the tax authority or housing administration authority, an individual transferor shall be strictly subject to individual income tax at a rate of 20 per cent. Individual income tax shall be exempt if such individual's family lived in the property to be transferred for more than 5 years, and such property is the only property owned by the family.

Increase in property prices and transaction volume in the PRC property market since 2007 had led to measures promulgated by the PRC government to regulate growth in the PRC property market which resulted in downward pricing pressures. Due to the recent downturn in the PRC property market, some of the above restrictive policies have been terminated or relaxed by the PRC government. See "PRC Regulation" for further details.

However, there can be no assurance that the PRC government will not adopt additional and more stringent measures in the future, which could further slow down property development in Mainland China and adversely affect the Group's business and prospects.

The PRC government and local government authorities will continue to exercise a substantial degree of control and influence over the PRC economy and property market and any form of government control or newly implemented laws and regulations, depending on the nature and extent of such changes and the Group's ability to make corresponding adjustments, may result in a material adverse effect on the Group's business and operating results. In particular, decisions taken by the PRC government concerning economic policies or goals that are inconsistent with the Group's interests could adversely affect its operating results.

Property development in the PRC is still at an early stage and lacks adequate infrastructure support.

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. The Group cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information, as well as the overall low level of transparency in the PRC.

In addition, risk of property over-supply is increasing in parts of Mainland China, where property investment, trading and speculation have become quite active. In the event of actual or perceived over-supply, property prices may fall significantly and the Group's turnover and results of operations will be adversely affected.

The Group faces risks related to the pre-sale of properties, including the risk that property developments are not completed.

The Group faces risks relating to the pre-sale of properties. For example, the Group may fail to complete a fully or partially pre-sold property development, in which case it would find itself liable to purchasers of pre-sold units for losses suffered by them. The Group cannot assure investors that these losses would not exceed any deposits that may have been made in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, or if the actual gross floor area ("GFA") of a completed property delivered to a purchaser deviates by more than 3 per cent. from the GFA originally indicated in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of the Group's late delivery of properties will have a material adverse effect on the Group's business, financial condition and results of operations.

Since 2005, proposals recommending a ban on the practice of pre-selling uncompleted properties have been introduced by various entities in the PRC, including the PBOC and the National Development and Reform Commission. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. However, there can be no assurance that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of the Group's properties are an important source of financing for the Group's property developments. For the years ended 31 December 2012, 2013 and 2014 the Group, together with its joint ventures, had pre-sales deposits of HK$58.2 billion, HK$66.9 billion and HK$51.3 billion respectively (HK$17.7 billion, HK$5.5 billion and HK$4.5 billion respectively, of which were attributable to the joint ventures). Consequently, any restriction on the Group's ability to pre-sell its properties, including any increase in the amount of up-front expenditure that it must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of its capital outlay and would result in it needing to seek alternative means to finance the various stages of its property developments. This, in turn, could have an adverse effect on the Group's business, cash flow, results of operations and financial condition.

Increasing competition in the PRC property market may adversely affect the profitability of the Group.

In recent years, a large number of property developers have undertaken property development and investment projects across the PRC. These include overseas property developers (including a number of leading Hong Kong property developers) and local developers in the PRC, many of whom have greater financial and other capital resources, greater market share or greater name recognition than the Group.

Intensified competition between property developers may result in increased costs for land acquisition, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect the business of the Group.

Furthermore, the Group's property development operations face competition from both international and local operators with respect to factors such as location, facilities and supporting infrastructure, service and price. The Group competes with both local and international companies in capturing new business opportunities in the PRC, Hong Kong and Macau. Some of these companies have significant financial resources, marketing and other capabilities. In Mainland China, Hong Kong and Macau, some of the local companies have extensive local knowledge and business relationships and a longer operational track record in the relevant local markets than the Group. International companies are able to capitalise on their overseas experience to compete in the Mainland China, Hong Kong and

Macau markets. There can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that increased competition with respect to the Group's activities may not have a material adverse effect on the financial condition and operating results of the Group.

The PRC property market has experienced consolidation.

Consolidation in the PRC property market in recent years has resulted in smaller property developers merging or otherwise combining their operations in order to enjoy economies of scale and enhance their competitiveness. Any further consolidation in the property sector in the PRC may intensify competition among property developers and the Group may have to compete with competitors with increased financial and other resources, including, but not limited to, land banks and management capabilities. Such consolidation could potentially place the Group at a competitive disadvantage with respect to land or development negotiations, scale, resources and pricing of its properties.

The PRC's economic, political and social conditions, as well as government policies, could affect the Group's business.

Historically, the Group generated turnover from its operations in the PRC. The Group's financial condition, operating results and prospects will, accordingly, be subject to economic, political and legal developments in the PRC as well as in the economies in the surrounding region.

The PRC economy differs from the economies of most developed countries in many respects, including the:

- extent of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-orientated economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. The 18th National Congress of the Communist Party of China, which convened in November 2012, resulted in certain changes to government policies or regulations such as removing the 70 per cent. lower limit of the benchmark rate on loan interest rate and allowing financial institutions to determine the interest rate in their sole discretion based on market conditions.

The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner.

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group and its joint ventures. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's prospects, financial condition and operating results.

Natural disasters, acts of God, or recurrence of severe acute respiratory syndrome, or SARS, avian influenza (H5N1 virus) or another widespread public health problem could adversely affect the Group's business, financial condition and results of operations.

Several countries and regions in Asia, including Mainland China, Hong Kong and Macau and elsewhere, have suffered from outbreaks of diseases like SARS or avian influenza over the past few years, which had a significant adverse impact on the economies of many of the countries affected. In addition, some regions in Mainland China, including the cities where the Group operates, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, and drought. For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in a tremendous loss of lives and destruction of assets in the region. Any future occurrence of natural disasters, epidemics and other acts of God which are beyond the control of the Group or any renewed outbreak of SARS, pandemic avian influenza or another widespread public health problem in Mainland China, Hong Kong and Macau could have a material adverse effect on the Mainland China, Hong Kong and Macau economies and the property market generally, and on the Group's business, financial condition and results of operations.

Facts and statistics in this Offering Circular relating to the PRC economy and the PRC real estate industry may not be reliable.

Facts and statistics relating to the PRC economy and the PRC real estate industry contained in this Offering Circular have been compiled from various publicly available official publications and industry-related sources which the Issuer has no reason to believe is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the quality or reliability of official publications and sources cannot be guaranteed. In addition, statistics derived from official sources may not be prepared on a comparable basis. While the Issuer and the Guarantor believe that the sources of the information are appropriate sources and have taken reasonable care in extracting and reproducing such information, they have not been independently verified by the Issuer, the Guarantor, any other members of the Group, the Joint Lead Managers, or any of their affiliates or advisors. It cannot be assured that such facts and statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Due to possibly flawed or ineffective collection methods or discrepancies between official publications and market practice and other problems, the statistics herein may be inaccurate or may be incomparable to statistics produced for other economies and should not be unduly relied upon by the investors in purchasing the Notes or otherwise.

The Guarantor may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax ("EIT") Law, which may subject it to the PRC taxation on its worldwide income. In addition, if the Issuer is deemed as a PRC resident enterprise, it would be required to withhold taxes on interest it pays on the Notes and the investors of the Notes would be required to pay taxes on gains realised from the sale of the Notes.

The Issuer is a Cayman Islands holding company, and the Guarantor is a Hong Kong holding company with a substantial part of its operations conducted in Mainland China through the Guarantor's operating subsidiaries. Under the new PRC EIT Law that took effect on 1 January 2008, enterprises established outside Mainland China whose "de facto management bodies" are located in Mainland China are considered "resident enterprises" for PRC tax law purposes and will generally be subject to the uniform 25 per cent. EIT rate as to their worldwide income. Under the implementation regulations issued by the State Council, relating to the new PRC EIT Law, a "de facto management body" is defined as the body that has the significant and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. These criteria include: (i) the enterprise's day-to-day operations management is primarily exercised in Mainland China, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in Mainland China, (iii) the enterprise's primary assets, accounting books and records, company seals, board and shareholders' meeting minutes are located or maintained in Mainland China, and (iv) 50 per cent. or more of voting board members or senior executives of the enterprise habitually reside in Mainland China. If all of these criteria are met, the relevant foreign enterprises that are controlled by PRC enterprises will be deemed to have its "de facto management" in Mainland China and therefore be deemed a PRC "resident enterprise".

Since certain of its management is currently based in Mainland China and will remain in Mainland China in the future, it cannot be assured that the Guarantor will not be considered a PRC "resident enterprise" by the PRC tax authorities. In addition, because this EIT law is relatively new and its implementation rules are newly issued, there is uncertainty as to how this new law and implementation rules will be interpreted or implemented by relevant tax authorities. If the Guarantor is deemed to be a PRC resident enterprise, it would be subject to enterprise income tax at a rate of 25 per cent. on its worldwide income accordingly which may have an adverse effect on the net profit or cash flow of the Guarantor.

Separately, there have been no official implementation rules regarding the determination of the "de facto management bodies" for overseas enterprises that are not directly controlled by PRC enterprises. Therefore, whether an overseas enterprise invested or controlled by another overseas enterprise such as the Issuer will be treated by the relevant tax authorities as a PRC resident enterprise remains unclear.

If the Issuer is deemed a PRC resident enterprise, it would be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10 per cent. on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located outside Hong Kong, unless any lower tax treaty rate is applicable, because the interest and other distributions would be regarded as being derived from sources within Mainland China. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Notes would be regarded as being derived from sources within Mainland China and, accordingly, would be subject to a 10 per cent. PRC withholding tax.

RISKS RELATING TO THE GUARANTEE AND THE NOTES

The Guarantor's obligations under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries.

The Issuer was established by the Guarantor specifically for the purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to the Guarantor, which may in turn on-lend to other members of the Group. The Issuer does not and will not have any assets other than such loan and its ability to make payments under the Notes will depend on its receipt of timely payments under such loan arrangement.

The Guarantor is a holding company and, accordingly, payments under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer) and associates. Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the Notes seeking to enforce the Guarantee. As at 31 December 2014, certain assets of a subsidiary of the Guarantor with an aggregate carrying value of approximately HK$640 million were pledged to secure its bank borrowings. The Guarantor's obligations under the Guarantee will not be guaranteed by any of its subsidiaries. The Notes do not contain any restrictions on the ability of the Guarantor's subsidiaries (other than the Issuer) to incur additional unsecured indebtedness.

The Guarantor's ability to make payments on the Guarantee depends upon receipt of distributions from its subsidiaries, associates and joint ventures.

The Guarantor is primarily a holding company and its ability to make payments under the Guarantee and to make payments to the Issuer under the loan arrangement to fund payments on the Notes depends upon the receipt of dividends, distributions, interest or advances from its wholly-owned or partly-owned subsidiaries, associates and joint ventures. The ability of the subsidiaries, joint ventures and associates of the Guarantor to pay dividends may be subject to applicable laws and regulations. The outstanding indebtedness of the subsidiaries of the Guarantor may contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries, joint ventures and associates could be reduced in the future.

The Guarantor's subsidiaries in the PRC may be unable to obtain and remit foreign exchange.

The ability of the Guarantor's PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends may affect the Guarantor's ability to satisfy its obligations under the Guarantee. The Guarantor's subsidiaries in the PRC must present certain documents to the State Administration of Foreign Exchange ("SAFE"), its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan the Group makes to its PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 7 per cent. withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay the Guarantor dividends or interest and principal on shareholder loans, which may affect the Guarantor's ability to satisfy its obligations under the Guarantee.

An active trading market for the Notes may not develop.

The Notes may initially be sold to a small number of investors. One or a limited number of investors may purchase a significant portion of the Notes offered. Accordingly, a liquid trading market may not develop or be sustained, in which case investors may not be able to resell their Notes at their fair market value or at all. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Although applications will be made for the listing of the Notes on the Irish Stock Exchange and the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Notes. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

There may be less publicly available information about the Guarantor than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong, such as the Guarantor, than is regularly made available by public companies in certain other countries. In addition, the Guarantor's financial information in this Offering Circular has been prepared in accordance with HKFRS, which differ in certain respects from IFRS and generally accepted accounting principles in other jurisdictions ("GAAPs") which might be material to the financial information contained in this Offering Circular. In making an investment decision, investors must rely upon their own examination of the Guarantor, the terms of the offering and the Guarantor's financial information, and should consult their own professional advisers for an understanding of the differences between HKFRS and IFRS or between HKFRS and other GAAPs and how those differences might affect the financial information contained in this Offering Circular.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes are expected to be assigned a rating of "BBB+" by Fitch and "Baa1" by Moody's. The ratings address the Issuer's and the Guarantor's ability to perform their respective obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Guarantor has any obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

The Guarantor may not be able to raise the funds necessary to finance the change in ownership purchase or the purchase at the option of the holder.

Following the occurrence of specific kinds of change in ownership events, Noteholders may require the Issuer to redeem their Notes. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption upon Change of Control". The source of funds for any such redemption would be the Group's available cash or third-party financing. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds at that time to make the required redemption of the Notes. In addition, agreements to which the Guarantor is a party at that time may restrict or prohibit such a payment.

Developments in the international financial markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility, most recently in response to investor concerns over credit availability, liquidity and default risk for several European countries. If such developments are not adequately addressed and investor confidence worsens, volatility in the international financial markets may increase in the future, and the market price of the Notes could be adversely affected.

The Notes are subject to optional redemption by the Issuer.

As described in Condition 8.3 of the Terms and Conditions of the Notes, the Notes may be redeemed at the option of the Issuer in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be deemed. See "Terms and Conditions of the Notes — Redemption and Purchase — Optional Redemption".

The Issuer may redeem the Notes at the time when the cost of borrowing is lower than the interest rate of the Notes. In such case, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a lower rate. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risks in light of other investments available at that time.

The Notes may be redeemed at the Issuer's option on the occurrence of certain events.

The Issuer has the right to redeem the Notes, in whole but not in part, at their principal amount together with any unpaid accrued interest thereon to the date fixed for redemption if it (or, if the Guarantee was called, the Guarantor) has or will become obligated to pay additional amounts, as a result of any change or amendment to the laws or regulations of the relevant jurisdictions as further described in Condition 8 of the Terms and Conditions of the Notes. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Taxation Reasons" in this Offering Circular.

The date that the Issuer elects to redeem the Notes may not accord with the preference of individual holders, which may be disadvantageous to holders in light of market conditions or the individual circumstances of the holder of the Notes. Additionally, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective yield at the same level as that of the Notes.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the Irish Stock Exchange, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the Irish Stock Exchange. The disclosure standards imposed by the Irish Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Considerations related to EU Saving Directive.

Under Council Directive 2003/48/EC (the "Directive") on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. Luxembourg abolished its withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes and the Trust Deed by the Trustee or less than all of the holders of the Notes.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those Noteholders who did not attend and vote at the relevant meeting and those Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to any modification of the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or is to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

The Trustee may request that the Noteholders provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation the giving of notice pursuant to Condition 11.1 of the Terms and Conditions of the Notes and the taking of enforcement steps pursuant to Condition 12 of the Terms and Conditions of the Notes), the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Notes) and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, after deducting the fees and other expenses in connection with the issue of the Notes, will be approximately EUR594 million, which are intended to be used by the Guarantor to finance new and existing projects, to repay and/or refinance the existing indebtedness of the Group and for general corporate purposes.

EXCHANGE RATE INFORMATION

Hong Kong

The Hong Kong dollar is freely convertible into other currencies. including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to U.S.$1.00. The Basic Law of Hong Kong (the "Basic Law"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong. The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market within a boundary. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to U.S.$1.00 since the peg was first established. In May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong dollar will continue to be linked to the U.S. dollar or at all.

The following table sets forth information concerning exchange rates between the Hong Kong dollar and U.S. dollar for the periods indicated:

	Noon Buying Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(HK$ per U.S.$1.00)			
2010	7.7810	7.7687	7.8040	7.7501
2011	7.7663	7.7841	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7554	7.7669	7.7445
November	7.7548	7.7543	7.7572	7.7519
December	7.7531	7.7541	7.7616	7.7509
2015				
January	7.7529	7.7531	7.7563	7.7508
February	7.7559	7.7551	7.7584	7.7517
March	7.7540	7.7584	7.7686	7.7534
April	7.7513	7.7509	7.7525	7.7495
May	7.7535	7.7527	7.7594	7.7505
June (through 12 June 2015)	7.7530	7.7534	7.7567	7.7518

Source: Weekly H.10 statistical release of the Federal Reserve Board.

Note:

(1) Annual averages are calculated by averaging the rates on the last business day of each month during the relevant year. Period averages are calculated by averaging the daily rates during the relevant period.

Euro

The following table sets forth information concerning exchange rates between the Euro and U.S. dollar for the periods indicated:

Period	Noon Buying Rate			
	Period End	Average(1)	High	Low
	(USD per €1.00)			
2010	1.3269	1.3216	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3186	1.2909	1.3463	1.2062
2013	1.3779	1.3303	1.3816	1.2774
2014	1.2101	1.3210	1.3927	1.2101
November	1.2438	1.2473	1.2554	1.2394
December	1.2101	1.2329	1.2504	1.2101
2015				
January	1.1290	1.1615	1.2015	1.1279
February	1.1197	1.1350	1.1462	1.1197
March	1.0741	1.0819	1.1212	1.0524
April	1.1162	1.0822	1.1174	1.0582
May	1.0994	1.1167	1.1428	1.0876
June (through 12 June 2015)	1.1278	1.1204	1.1307	1.0913

Source: Weekly H.10 statistical release of the Federal Reserve Board.

Note:

(1) Annual averages are calculated by averaging the rates on the last business day of each month during the relevant year. Period averages are calculated by averaging the daily rates during the relevant period.

CAPITALISATION

The following table sets out, on a consolidated basis, the capitalisation of the Guarantor as at 31 December 2014, on an actual basis and as adjusted to give effect to the issue of the Notes.

	As at 31 December 2014			
	Actual (audited)		As Adjusted[1] (unaudited)	
	(HK$ millions)	(U.S.$ millions)	(HK$ millions)	(U.S.$ millions)
Short-term borrowings[2][3]				
Bank loans — due within one year	22,542	2,907	22,542	2,907
Long-term borrowings				
Bank loans — due after one year	23,813	3,071	23,813	3,071
Guaranteed notes payable	48,177	6,214	53,837	6,944
Total long-term borrowings[2]	71,990	9,285	77,650	10,015
Shareholders' equity[3]				
Share capital	19,634	2,532	19,634	2,532
Reserves	113,700	14,665	113,700	14,665
Equity attributable to owners of the Guarantor	133,334	17,197	133,334	17,197
Total capitalisation[4]	205,324	26,482	210,984	27,212

Notes:

(1) Figures in the "As Adjusted" columns reflect the aggregate principal amount of the Notes in respect of which the translation from EUR to HK$ was made at the rate of EUR1.00 to HK$9.4326, which was the average of the selling and buying rate of opening indicative counter exchange rate as at 31 December 2014 published by The Hong Kong Association of Banks.

(2) Since 31 December 2014, the Group has, in its ordinary course of business, repaid a portion of its short-term borrowings and entered into additional financing arrangements to finance its property development projects and for general corporate purposes. As at 30 April 2015, the Group's short-term borrowings amounted to HK$8,403.3 million and its total long-term borrowings amounted to HK$88,475.2 million.

(3) The Group assumed the CSCECL Loans, which, as at 31 January 2015, amounted to approximately RMB31,992.9 million of which, up to 11 May 2015, approximately RMB20,444.5 million was repaid by the Group. The remaining portion of the CSCECL Loans will be repaid within one year after the completion of the Asset Acquisition from the proceeds of the Share Subscription. In addition, shareholders' equity of the Group increased by approximately HK$42,806.1 million on 18 May 2015 due to the issue of 1,686,605,875 shares to COHL at a price of HK$25.38 per share. See "The Group — Recent Developments — Asset Acquisition".

(4) Total capitalisation represents the total of long-term borrowings plus equity attributable to owners of the Guarantor.

Save as indicated above, there has been no material change in the capitalisation, on a consolidated basis, of the Guarantor since 31 December 2014 up to the date of this Offering Circular.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The €600,000,000 1.75 per cent. Guaranteed Notes due 2019 (the "Notes", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 18 and forming a single series with the Notes) of China Overseas Land International (Cayman) Limited (the "Issuer") are constituted by a Trust Deed (the "Trust Deed") dated 15 July 2015 (the "Issue Date") made between the Issuer, China Overseas Land & Investment Limited (the "Guarantor") as guarantor and DB Trustees (Hong Kong) Limited (the "Trustee" , which expression shall include its successor(s)) as trustee for the holders of the Notes (the "Noteholders").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 15 July 2015 (the "Agency Agreement") made between the Issuer, the Guarantor, the Agents and the Trustee are available for inspection during normal business hours by the Noteholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and at the specified office of the Principal Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of €100,000 and integral multiples of €1,000 in excess thereof (referred to as the principal amount of a Note). A note certificate (each a "Certificate") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar and at the registered office of the Issuer.

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "Noteholder" and (in relation to a Note) "holder" means the person in whose name a Note is registered in the register of Noteholders.

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Transfer Agents.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2.2, "business day" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or, as the case may be, the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificate — Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity and/or security as the Issuer or the relevant Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal, Early Redemption Amount (as defined in Condition 8.3) or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee, and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS OF THE NOTES

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu,* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. GUARANTEE

4.1 Guarantee

The payment of the principal, Early Redemption Amount and interest in respect of the Notes and all other moneys expressed to be payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the "Guarantee") in the Trust Deed.

4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

5. NEGATIVE PLEDGE

5.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer and the Guarantor will not, and the Guarantor will procure that none of its other Subsidiaries (as defined below in Condition 5.2) (except any Listed Subsidiaries as defined below in Condition 5.2) will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues present or future to secure the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness (as defined below in Condition 5.2), or any guarantee of or indemnity given in respect of the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes or, as the case may be, the Guarantor's obligations under the Guarantee (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

5.2 Interpretation

For the purposes of these Conditions:

(a) "Listed Subsidiary" means, at any time, any Subsidiary of the Guarantor the ordinary voting shares of which are at such time listed on the Hong Kong Stock Exchange or any stock exchange, exchange or securities market located in the People's Republic of China (the "PRC") on which the shares of the relevant Subsidiary are listed, quoted or admitted for trading;

(b) "Relevant Indebtedness" means any present or future indebtedness in the form of, or represented by, notes, bonds, debentures, debenture stock, loan stock, certificates or other securities which (a) either (i) are by their terms payable, or confer a right to receive payment, in any currency other than Renminbi or (ii) are denominated or payable in Renminbi and more than 50% of the aggregate principal amount thereof is initially distributed outside the PRC by the Issuer, the Guarantor or the Guarantor's Subsidiaries or with the authorisation of any of them and (b) are or are capable of being quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market; and

(c) "Subsidiary" means, in relation to the Issuer or the Guarantor, any company (i) in which the Issuer or as the case may be, the Guarantor holds a majority of the voting rights or (ii) of which the Issuer or, as the case may be, the Guarantor is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer or as the case may be, the Guarantor is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer or as the case may be, the Guarantor.

6. INTEREST

6.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 15 July 2015 at the rate of 1.75 per cent. per annum, payable annually in arrear in equal instalments of €17.50 per €1,000 in principal amount of Notes on 15 July in each year, commencing on 15 July 2016 (each an ''Interest Payment Date'').

6.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation or surrender, payment of the principal or, as the case may be, Early Redemption Amount in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment in which event interest will continue to accrue as provided in the Trust Deed.

6.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the ''Accrual Date'') to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

7. PAYMENTS

7.1 Payments in respect of Notes

Payment of principal, Early Redemption Amount and interest will be made by transfer to the registered account of the Noteholder or by euro cheque drawn on a bank that processes payments in euro mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal or Early Redemption Amount and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the ''record date'') being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition 7, a Noteholder's registered account means the euro account maintained by or on behalf of it with a bank that processes payments in euro, details of which appear on the register of Noteholders at the close of business, in the case of principal, Early Redemption Amount and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined below in Condition 7.4) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

7.2 Payments subject to Applicable Laws

Payments in respect of principal, Early Redemption Amount and interest on Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the ''Code'') or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

7.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.

7.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (uninsured and at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder), on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal and Early Redemption Amount or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition 7, "Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in London and which is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

7.5 Partial Payments

If the amount of principal, Early Redemption Amount or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal, Early Redemption Amount or interest in fact paid.

7.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(c) a Registrar which will maintain the registrar of Noteholders outside Hong Kong and the United Kingdom;

(d) so long as the Notes are listed on the Irish Stock Exchange and The Stock Exchange of Hong Kong Limited and if The Stock Exchange of Hong Kong Limited so requires, there will be a Paying Agent and a Transfer Agent with a specified office in Hong Kong; and

(e) notice of any termination or appointment and of any changes in specified office of any Agent will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 15 July 2019 (the "Maturity Date").

8.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below in this Condition 8.2 that:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after 7 July 2015 either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 9 or (ii) if the Guarantee were called, the Guarantor would be required to pay such additional amounts; and

(b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

(unless notice has already been given to the Noteholders for redemption of the Notes under Condition 8.3) the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Trustee (i) a certificate signed by any director of the Issuer or, as the case may be, the Guarantor stating that the requirement referred to in (a) above of this Condition 8.2 will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in this Condition 8.2, in which event they shall be conclusive and binding on the Noteholders.

8.3 Optional Redemption

The Issuer may, at any time upon giving not less than 30 nor more than 60 days' notice to Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem the Notes, in whole but not in part, at a redemption amount equal to (a) the principal amount of the Notes plus any accrued but unpaid interest or, if higher, (b) the Make Whole Amount (as defined in Condition 8.8 below) (the "Early Redemption Amount").

8.4 Redemption upon Change of Control

Following the occurrence of a Change of Control (as defined below), the holder of each Note will have the right at such holder's option, to require the Issuer to redeem all, or some only, of that holder's Notes on the Change of Control Redemption Date (as defined below) at their principal amount together with accrued interest. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "Change of Control Redemption Notice") together with the Certificate evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 14. The "Change of Control Redemption Date" shall be the fourteenth day after the expiry of such period of 30 days after the later of a Change of Control or the date upon which notice of a Change of Control is given to Noteholders by the Issuer in accordance with Condition 14 as referred to above.

A Change of Control Redemption Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of Change of Control Redemption Notices delivered as aforesaid on the Change of Control Redemption Date.

Neither the Trustee nor any of the Agents shall be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred, and none of them shall be liable to Noteholders or any other person for any failure to do so.

The Issuer, failing whom the Guarantor, shall give notice to Noteholders in accordance with Condition 14 and to the Trustee in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 8.4 and shall give brief details of the Change of Control.

For the purposes of this Condition 8.4:

"Control" means (i) the ownership or control of more than 50% of the voting rights of the issued share capital of the Guarantor or (ii) the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a "Change of Control" occurs when:

(i) any Person or Persons acting together acquires or acquire Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date;

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or

(iii) one or more Persons (other than any Person referred to in sub-paragraph (i) above of this definition) acquires the legal or beneficial ownership of all or substantially all of the Guarantor's issued share capital; and

"Person" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Guarantor's board of directors or any other governing board and does not include the Guarantor's wholly-owned direct or indirect subsidiaries.

8.5 Purchases

The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries (as defined above) may at any time purchase Notes in any manner and at any price.

8.6 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries will forthwith be cancelled, and accordingly may not be held, reissued or resold.

8.7 Notices Final

Upon the expiry of any notice as is referred to in Condition 8.2 or Condition 8.3 the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

8.8 Interpretation

As used in these Conditions:

(a) ''Independent Investment Bank'' means any one of the Reference Dealers jointly selected by the Issuer and the Guarantor in good faith and notified in writing to the Trustee by the Issuer or the Guarantor;

(b) ''Make Whole Amount'' will be the greater of (x) 100 per cent. of the principal amount of the Notes so redeemed and, (y) the sum of the then present values of the remaining scheduled payments of principal and interest on the Notes (not including any interest accrued on the Notes to, but excluding, the date of redemption (the ''Optional Redemption Date'')) discounted to the Optional Redemption Date on an annual basis (Actual/Actual (ICMA)) at the Redemption Rate plus a Redemption Margin, plus in each case (x) or (y) above, any interest accrued and unpaid on the Notes to, but excluding, the Optional Redemption Date. The Make Whole Amount will be calculated by the Independent Investment Bank;

(c) ''Redemption Margin'' is 0.30 per cent. per annum;

(d) ''Redemption Rate'' is the average of the four quotations given by the Reference Dealers of the mid-market annual yield to maturity of the Reference Security on the fourth business day in London preceding the Optional Redemption Date at 11.00 a.m. (Central European time (CET));

(e) ''Reference Dealer'' means each of the four investment banks of recognised standing which are primary European government security dealers jointly selected by the Issuer and the Guarantor in good faith and notified in writing to the Trustee by the Issuer or the Guarantor, and their respective successors, or market makers in pricing corporate bond issues; and

(f) ''Reference Security'' means an interest-bearing German government bund security selected by the Independent Investment Bank as having an actual or interpolated maturity comparable with the remaining term of the Bonds, or if the Independent Investment Bank in its discretion considers that such similar security is not in issue, such other interest-bearing German government bund security as the Independent Investment Bank may, with the advice of the Reference Dealers, determine to be appropriate for determining the Reference Rate.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) if the Certificate in respect of such Note is presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(in the case of payment of principal or interest (other than interest due on an Interest Payment Date)) if the Certificate in respect of such Note is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 7).

9.2 Interpretation

In these Conditions:

(a) "Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by an Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14; and

(b) "Relevant Jurisdiction" means the Cayman Islands or Hong Kong or, in the event that the Issuer or the Guarantor is organised or resident (or deemed to be organised or resident) for tax purposes therein, the PRC (which for this purpose, excludes Hong Kong, Macau and Taiwan) or any political subdivision or any authority therein or thereof having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of principal, Early Redemption Amount and interest on the Notes.

9.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or under any undertakings given in addition to, or in substitution for, this Condition 9 pursuant to the Trust Deed.

10. PRESCRIPTION

Claims in respect of principal, Early Redemption Amount and interest will become prescribed unless made within 10 years (in the case of principal and Early Redemption Amount) and five years (in the case of interest) from the Relevant Date, as defined in Condition 9.

11. EVENTS OF DEFAULT

11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in Conditions 11.1(b) to 11.1(d) inclusive (other than the winding up or dissolution of the Issuer or the Guarantor) and Conditions 11.1(e) to 11.1(h) and Condition 11.1(k) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (‘‘Events of Default’’):

(a) if default is made in the payment of any principal, Early Redemption Amount or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or Early Redemption Amount or 14 days in the case of interest; or

(b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee is of the opinion that the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries becomes due and repayable prematurely by reason of an event of default, acceleration or potential event of default (however described); (ii) the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any applicable grace period; or (iii) the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries fails to make any payment in respect of any amount payable under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person on the due date for payment as extended by any applicable grace period; provided that no event described in this Condition 11.1(c) shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) through (iii) inclusive above of this Condition 11.1(c) which have occurred and are continuing, amounts to at least U.S.$20,000,000 (or the equivalent thereof in any other currency); or

(d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries, save in the case of any Principal Subsidiary, for (i) any voluntary solvent winding up, liquidation or dissolution; or (ii) any reorganisation whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Guarantor and/or another Subsidiary of the Guarantor; and in each case, for the purposes of reorganisation on terms approved in writing by an Extraordinary Resolution of the Noteholders; or

(e) if the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries ceases or (through an official action of the board of directors of the Guarantor or, as the case may be, the relevant Principal Subsidiary) threatens to cease to carry on all or any substantial part of its business (save (i) in the case of any Principal Subsidiary, where the cessation is for the purposes of a solvent winding-up, dissolution, reconstruction, merger or consolidation whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Guarantor and/or another Subsidiary of the Guarantor; (ii) in the case of any Principal Subsidiary, as a result of a disposal on arm's length terms; and (iii) in each case, for the purposes of reorganisation on terms approved by an Extraordinary Resolution of the Noteholders) or the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries stops payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is adjudicated or found bankrupt or insolvent; or

(f) if any Security (as defined in Condition 5.1), present or future, created or assumed by the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries becomes enforceable and (i) proceedings are initiated against the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries, or (ii) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to any judicial proceedings relating to itself, under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a general moratorium in respect of all or any substantial part of its debts), or (iii) an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries or, as the case may be, in relation to all or any substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of all or any substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or any substantial part of the undertaking or assets of any of them, and in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged or stayed within 40 days; or

(g) if the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or

(h) (i) all or (other than on arm's length terms) any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries is seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries is prevented by any such person from exercising normal control over all or (other than on arm's length terms) any substantial part of its undertaking, assets and revenues; or

(i) if the Issuer ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor; or

(j) if the Notes, the Guarantee, the Trust Deed or the Agency Agreement is or becomes unenforceable or invalid; or

(k) if any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer or the Guarantor to perform its obligations under the Notes, the Guarantee, the Trust Deed or the Agency Agreement or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified; or

(l) if any event occurs which, under the laws of any relevant jurisdiction, has or may have an analogous effect to any of the events referred to in Conditions 11.1(c) to 11.1(k) above (both inclusive).

11.2 Interpretation

For the purposes of this Condition 11:

(a) "Indebtedness for Borrowed Money" means any indebtedness (whether being principal, Early Redemption Amount, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

(b) "Intermediate Single Subsidiary Holding Company" means a Subsidiary whose sole business is the holding of shares or interest in one other Subsidiary (but, for the avoidance of doubt, not more than one other Subsidiary) and any other activities incidental thereto; and

(c) "Principal Subsidiary" means any Subsidiary of the Guarantor:

(i) whose net profit or (in the case of a Subsidiary which itself has subsidiaries) consolidated net profit (before taxation and extraordinary items), as shown by its latest audited income statement are at least 10% of the consolidated net profit (before taxation and extraordinary items) as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries; or

(ii) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 10% of the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries; or

provided that, in relation to paragraphs (i) and (ii) above of this definition:

(aa) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(bb) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (aa) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor;

(cc) in relation to any Subsidiary of the Guarantor, each reference in (i), (ii), (aa) or (bb) above of this definition to all or any of the accounts (consolidated or otherwise) of such Subsidiary shall be deemed to be a reference to the relevant audited accounts of such Subsidiary if it customarily prepares accounts which are audited and, if not, to the relevant unaudited accounts of such Subsidiary which shall be certified by any director of such Subsidiary as having been properly prepared in accordance with generally accepted accounting principles applicable to such Subsidiary;

(dd) if the then latest published audited consolidated income statement of the Guarantor and its Subsidiaries show a net loss for the relevant financial period then there shall be substituted for the words "net profit" or "consolidated net profit", as the case may be, the words "gross revenues" or "consolidated gross revenues" for the purposes of this definition; and

(ee) notwithstanding the foregoing provisions, in the case of an Intermediate Single Subsidiary Holding Company which is not otherwise required to, and does not, prepare consolidated accounts, such Intermediate Single Subsidiary Holding Company shall not be required to prepare consolidated accounts solely for the purpose of determining whether or not it is a Principal Subsidiary but in those circumstances it shall be deemed to be a Principal Subsidiary if its Subsidiary is itself a Principal Subsidiary; or

(iii) any Subsidiary of the Guarantor to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provision of paragraphs (i) or (ii) above of this definition.

A report by any director of the Guarantor whether or not addressed to the Trustee that in his or her opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall (in the absence of manifest error) be conclusive and binding on all parties.

12. ENFORCEMENT

12.1 The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

12.2 No Noteholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

13. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. NOTICES

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar or published in a leading newspaper having general circulation in Hong Kong or, if such publication shall not be practicable, in a daily newspaper with general circulation in Asia approved by the Trustee. It is expected that such publication will normally be made in the *Asian Wall Street Journal.* The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, notices to Noteholders shall be given by delivery of the relevant notice to Euroclear or Clearstream for communication by it to the entitled accountholders in substitution for notification as required by the Conditions.

15. SUBSTITUTION

The Trustee may, but shall not be obliged to, without the consent of the Noteholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition 15) as the principal debtor under the Notes and the Trust Deed of the Guarantor or any of its other Subsidiaries, subject to:

(a) except in the case of the substitution of the Guarantor, the Notes being unconditionally and irrevocably guaranteed by the Guarantor;

(b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and

(c) certain other conditions set out in the Trust Deed being complied with.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

16.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The Issuer, the Guarantor or the Trustee may at any time, and the Trustee shall upon a requisition in writing in the English language signed by the holders of not less than ten per cent. in principal amount of the Notes for the time being outstanding and subject to it being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses, convene a meeting. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50% in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than 66 2/3 per cent., or at any adjourned such meeting not less than 25 per cent., of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

16.2 Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law.

16.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

16.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

17. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

17.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

17.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries or any person affiliated with any of the foregoing and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and/or any other person, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or securities which are to form a single series with the outstanding notes or securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or securities of other series in certain circumstances where the Trustee so decides.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing Law

The Trust Deed (including the Guarantee), the Notes and any non-contractual obligations arising out of or in connection with these documents are governed by, and will be construed in accordance with, English law.

19.2 Jurisdiction of English Courts

Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes (including disputes relating to any non-contractual obligations) which may arise out of or in connection with the Trust Deed or the Notes and accordingly has submitted to the exclusive jurisdiction of the English courts.

Each of the Issuer and the Guarantor has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Noteholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed or the Notes respectively (together referred to as "Proceedings") (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Notes) against the Issuer or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in England in respect of any Proceedings and have undertaken that in the event of such agent ceasing so to act it will forthwith appoint another person as its agent for that purpose and shall notify the Trustee in writing of such appointment within 30 days of such cessation.

19.4 Sovereign Immunity

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Trust Deed and the Notes any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings (including any Proceedings relating to any non-contractual obligations arising out of or in connection with these presents).

20. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificate, some of which modify the effect of the Terms and Conditions. Terms defined in the Terms and Conditions have the same meaning in paragraphs 1 to 7 below.

1. Registered holder

The Notes will be represented by a Global Certificate that will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream.

2. Cancellation

Cancellation of the Notes following its redemption or purchase by the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries will be effected by reduction in the aggregate principal amount of such Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

3. Payments

Each payment of principal, the Early Redemption Amount and interest in respect of the Notes will be made to or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive other than 25 December and 1 January.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures. A record of each payment made will be endorsed on the Schedule to the Global Certificate and shall be *prima facie* evidence that payment has been made.

Notes represented by the Global Certificate are exchangeable and transferable only in accordance with, and subject to, the provisions hereof and the rules and operating procedures of Euroclear and Clearstream.

4. Notices

So long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream or any alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream or (as the case may be) that other clearing system for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions. Any such notice shall be deemed validly given to the Noteholders on the day after the day on which such notice is delivered to Euroclear and/or Clearstream or (as the case may be) the other clearing system as aforesaid.

5. Registration of Title

Registration of title to the Notes in a name other than that of the registered holder of the Global Certificate will not be permitted unless Euroclear or Clearstream, as appropriate, notifies the Issuer and the Guarantor that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by the Issuer and the Guarantor within 90 days after receiving such notice from Euroclear or Clearstream, as relevant. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Terms and Conditions, except that Certificates in respect of the Notes so transferred may not be available until 21 days after the request for transfer is duly made.

6. Transfers

Transfers of book-entry interests in the Notes represented by the Global Certificate will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

7. Noteholders' Redemption

For so long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, the Noteholder's redemption option in Condition 8.4 may be exercised by any holder of Notes giving notice to any Paying Agent in accordance with the standard procedures of Euroclear or Clearstream (which may include notice being given on his instructions by Euroclear or Clearstream or any common depositary for them to any Paying Agent by electronic means) of the principal amount of Notes in respect of which the option is exercised and presenting or procuring the presentation of the Global Certificate to such Paying Agent for endorsement within the time limits specified in the Terms and Conditions.

THE ISSUER

The Issuer was incorporated as an exempted company with limited liability under the Companies Law, as amended of the Cayman Islands on 5 May 2015 with company number 299346. The registered office of the Issuer is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands. The telephone number of the Issuer is +852-2823-7888.

The share capital of the Issuer is U.S.$50,000, divided into 50,000 ordinary shares of par value U.S.$1.00 each. One ordinary share has been issued and paid up. The Issuer has no subsidiaries. All issued shares in the Issuer are owned by the Guarantor.

The Issuer was established for the purpose of issuing the Notes and on-lending the proceeds to the Guarantor or its subsidiaries. Since its incorporation, the Issuer has not engaged in any other material activities other than those relating to the proposed issue of the Notes and the on-lending of the proceeds thereof to the Guarantor or any other subsidiary of the Guarantor, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. The Issuer will be managed in accordance with its memorandum and articles of association and the laws of the Cayman Islands.

The directors of the Issuer as at the date of this Offering Circular are Mr. Hao Jian Min, Mr. Nip Yun Wing, who are also Directors of the Guarantor, and Mr. Lin Xiaofeng. The business address of the directors is 10/F, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Issuer has no employees.

The directors of the Issuer do not have any interest or short position in the shares, underlying shares or debentures of the Issuer or of any of its subsidiaries.

Under Cayman Islands law, the Issuer is not required to carry out annual audits, appoint auditors or publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as it is necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

As at the date of this Offering Circular, there are no potential conflicts of interest between any duties of the directors of the Issuer and their private interests and/or other duties.

THE GUARANTOR

The Guarantor, incorporated in Hong Kong on 1 June 1979 as a limited liability company with registration number 0070153 and the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 00688). The registered office of the Guarantor is at 10/F., Three Pacific Place, 1 Queen's Road East, Hong Kong and the telephone number of the Guarantor is +852-2823-7888.

The Guarantor will be managed in accordance with its articles of association and with the provisions of the laws of Hong Kong.

The business address of the directors of the Guarantor is at 10/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

As at the date of this Offering Circular, there are no potential conflicts of interest between any duties of the directors of the Guarantor and their private interests and/or other duties.

THE GROUP

OVERVIEW

The Group is a major property developer in the PRC. Its main sources of turnover are the development and sale of residential and commercial properties in Mainland China, Hong Kong and Macau. The Group has made significant investments and has interests in property development projects in major cities in Mainland China such as Beijing, Guangzhou, Shanghai and Shenzhen, in which the property market has experienced significant growth in recent years, and also has a strong presence in other major cities in Mainland China including Changchun, Chengdu, Chongqing, Foshan, Hangzhou, Jinan, Qingdao, Shenyang, Suzhou, Tianjin and Xi'an. The property development portfolio of the Group in Mainland China includes property developments in the Hua Nan Region, the Hua Dong Region, the Hua Bei Region, the Western Region and the Northern Region, covering a diverse area across Mainland China. In addition, the Guarantor has made sizable investments in property development projects in Hong Kong and Macau. As at 31 December 2014, the Group, together with its joint ventures, had a land bank of 37.4 million square metres (with an attributable land bank of 35.0 million square metres), while Grand Oceans, a 37.98 per cent.-owned associate of the Guarantor, had a land bank of 12.1 million square metres (with an attributable land bank of 11.4 million square metres), together across 45 cities in the PRC as well as in Hong Kong and Macau.

On 7 May 2015, the Group completed an acquisition of the Acquired Assets from CSCECL with a total GFA of approximately 10.9 million square metres (without taking into account the proportionate interest of the relevant members of the Target Group). As a result of such acquisition, the land bank of the Group increased by approximately 29.1 per cent., compared to its total land bank of 37.4 million square metres as at 31 December 2014 (without taking into account the proportionate interest of the relevant members of the Group). See "The Group — Recent Developments — Asset Acquisition".

In addition to property development, the Group is also involved in property investment in Mainland China, Hong Kong and Macau. The Group seeks commercial development properties for long-term appreciation and lease potential and derives rental and management fees from its investment property portfolio in Mainland China, Hong Kong and Macau, which is comprised primarily of the Group's commercial properties.

The Group also runs a number of complementary operations, including property management, building design consultancy business and other businesses.

The Guarantor is an investment holding company with operations in Mainland China, Hong Kong and Macau. It was incorporated on 1 June 1979 in Hong Kong and has been listed on the Hong Kong Stock Exchange since 1992 (Hong Kong Stock Exchange code: 688). For the year ended 31 December 2014, the Guarantor's consolidated turnover and net profit was HK$119,997.0 million (U.S.$15,477.3 million) and HK$28,205.4 million (U.S.$3,638.0 million), respectively. As at 12 June 2015, the Guarantor had a market capitalisation of HK$282.0 billion, which made it the largest PRC-focused property developer listed on the Hong Kong Stock Exchange in terms of market capitalisation as at such date. The Guarantor is also a member of the Hang Seng Index, the Hang Seng Corporate Sustainability Index and FTSE China 25 Index.

In February 2013, the Guarantor was awarded a BBB+/Stable investment credit rating by Fitch. In April 2013, the investment grade rating of the Guarantor issued by Moody's was upgraded to Baa1/Stable while that issued by S&P was upgraded to BBB+/Stable. In June 2015, Fitch and Moody's reaffirmed their ratings.

The Group is comprised of the Guarantor and, after taking into account its acquisition of the Acquired Assets from CSCECL, about 330 subsidiaries. The Issuer is a direct wholly owned subsidiary of the Guarantor.

COMPETITIVE STRENGTHS

The Group is a major PRC property developer supported by the well-known national brand of "China Overseas Property" ("中海地產") in the mid- to high-end sector

The Group's management believes that its presence in five regions in the PRC, its diversified portfolio of properties and the quality of its property developments have enabled it to become a major national player with a nationally recognised brand name of "China Overseas Property" "中海地產" in the fragmented PRC property market. The Group is able to maintain a national focus on the PRC property market by utilising its brand name to enhance its presence in cities in which it has an existing presence while opportunistically expanding into new cities. The Group plans its property developments to cater for the needs and expectations of its potential buyers and endeavours to provide affordable and quality products for customers with different levels of purchasing power in the mid- to high-end property market. The Group also devotes significant resources to after-sales services (including property management) and employs its customer relationship management system to foster long-term customer relationships. The Group's management also believes that its brand name enables it to sell certain of its properties at a premium.

The Group also regularly receives awards for its developments. In 2014, "China Overseas Property" was acknowledged by China Real Estate Top 10 Research Team as the "Leading Brands of China Real Estate Companies" for the eleventh consecutive time. For eleven years in a row from 2004 to 2014, the Guarantor has been voted the number one "China Blue Chip Real Estate Developer" by Economic Observer. The Group's management believes that such brand recognition is a key indicator of the Group's performance in existing and newly developed property markets in the PRC, Hong Kong and Macau. The Group's management also believes that its brand contributed to higher asset turnover in 2014 than many in its peer group (defined as turnover divided by total average assets in 2014).

As a major state-owned developer, the Group benefits from strong support from its controlling shareholder which has fostered its long-term sustainable development

The Guarantor is an indirect subsidiary of CSCEC, which is a state-owned construction group that is the parent company of one of the largest state-owned construction enterprises in the PRC and one of the world's largest construction contractors and a "core enterprise" under the direct administration of the PRC government. CSCEC is currently one of only 16 state-owned enterprises designated by SASAC to participate in property development as its main business. As at 31 December 2014, CSCEC owned 56.15 per cent. of the outstanding shares of CSCECL, which has been listed on the Shanghai Stock Exchange since 2009 and wholly owns COHL, the Guarantor's immediate holding company. The Guarantor has received strong support from its controlling shareholders which has fostered its long-term sustainable development. The Guarantor has employment/secondment arrangements and exchange programs with CSCECL. The Group has received direct support from its controlling shareholders in the form of co-investment in certain joint ventures as well as through share subscriptions, and the Group's management expects to continue to benefit from this relationship in the future. See "China State Construction Engineering Corporation".

The Group has a proven track record and in-depth local knowledge

The Guarantor is a major property developer with a proven track record of project development in Mainland China. It has been engaged in property development in the PRC for over 20 years and has over 20 years of experience as a listed company in Hong Kong. The Group, together with Grand Oceans and its joint ventures, has created a property development portfolio comprising development projects in 45 PRC cities as well as in Hong Kong and Macau as at 31 December 2014. The senior management team of the Group has extensive experience in the property development and property investment industries in the PRC and Hong Kong. Most members of the senior management team of the Group have worked together for more than 10 years. The Group possesses in-depth local expertise, market knowledge and experience which its management believes gives the Group a competitive advantage over some other developers seeking to expand in or into the PRC property development market.

The Group owns a sizable, diversified and high quality land bank

The Group's management believes that a sizable and high quality land bank is one of the most important resources for a property developer. The Group's management believes that one of the key factors of the Group's growth has been its ability to acquire sites at competitive prices and at opportune times, thereby securing attractive returns on the properties it develops and sells. Through a series of selective land acquisitions over the years, the Group has secured a sizable and quality land bank in prime locations at competitive prices. As at 31 December 2014, the Group, together with its joint ventures, had a land bank of 37.4 million square metres (with an attributable land bank of 35.0 million square metres), while Grand Oceans had a land bank of 12.1 million square metres (with an attributable land bank of 11.4 million square metres), and such land banks are well diversified across a total of 45 PRC cities as well as in Hong Kong and Macau. On 7 May 2015, the Group also completed the acquisition of the Acquired Assets from CSCECL which included a portfolio of 27 property projects in various major cities in the PRC and three property projects in London with a total GFA of approximately 10.9 million square metres (without taking into account the proportionate interest of the relevant members of the Target Group). As a result of such acquisition, the land bank of the Group increased by approximately 29.1 per cent., compared to its total land bank of 37.4 million square metres as at 31 December 2014 (without taking into account the proportionate interest of relevant members of the Group). See "The Group — Recent Developments — Asset Acquisition". The Group's management believes that the Group has sufficient land bank to continue its property development activities for the next several years.

The Group's operations are scalable for further expansion

With a substantial number of properties under development, the Group enjoys the benefits of economies of scale of its design and construction process, customer service and sourcing of raw materials and services. The Group's management believes economies of scale have provided the Group with an advantage in securing the services of reputable contractors of significant scale, negotiating prices with suppliers and contractors and securing finance for its operations at competitive rates, and enabling it to recruit high quality staff. In addition, the Group's management believes that it is better positioned than local developers of a smaller scale to sustain the impact of the administrative and credit-tightening measures introduced in recent years by the PRC government to control the growth of the PRC property market. In addition, the Group's management believes that the PRC government's introduction of administrative and credit control measures may present the Group with opportunities to acquire quality projects under development or land from smaller scale property developers or from state-owned enterprises which exit the PRC property market.

The Group is financially strong and has flexible sources of funding

The Guarantor has been listed on the Hong Kong Stock Exchange since 1992, and conducts most of its property development business in the PRC through subsidiaries established in the PRC that are project companies. The Group has access to both international and domestic equity and debt financing and the ability to tap both sources of funding depending on market conditions, thereby securing the most favourable financing terms and maximising its funding efficiency. The Group's management believes that the Group's ability to obtain international financing gives it a comparative advantage over some other local competitors in the PRC who may only have access to domestic funding, the availability and costs of which may be affected by any credit control measures introduced by the PRC government. As such, the Group's management believes its liquidity position is robust, supported by access to diversified funding sources.

Since the recent global financial crisis, the Group has taken steps to improve its financial stability and its fund management capabilities. The Group's management believes it is in a strong financial position to continue to develop and grow. In February 2013, the Guarantor was awarded a BBB+/Stable investment credit rating by Fitch. Both Moody's and S&P's upgraded the Guarantor's issuer and bond ratings to Baa1/Stable outlook and BBB+/Stable outlook, respectively, in April 2013. In June 2015, Fitch and Moody's reaffirmed their ratings. The Group has used its market judgment and applied creative marketing methods to continue to improve its financial position and maintain its issuer and bond ratings. Moreover, the Group has a strong cash position, with HK$51.3 billion (U.S.$6.6 billion) in bank balances and cash as at 31 December 2014.

STRATEGIES

The Group's key business objective is to seek sustainable growth in turnover and profit by pursuing the following strategies:

Continuing to focus on property business especially in the PRC

The Group is focused on the property development business in Mainland China as well as in Hong Kong and Macau in the medium and long term. The Group is well established in the PRC and is a leading player there on a national scale. Substantially all the financial resources of the Group are invested in the property business and over 90 per cent. of its turnover and profit are derived from its PRC operations. The Group will continue to focus on its core business of property development especially in the PRC in the future. The Group will also continue its presence in Hong Kong and Macau, which it expects to contribute a larger amount to the Group's turnover and profit in the future.

Continuing to strengthen the "China Overseas Property" ("中海地產") brand nationwide

"China Overseas Property" ("中海地產") is a leading nationwide brand in the PRC property sector. The Group intends to strengthen and promote the "China Overseas Property" ("中海地產") brand further through maintaining the high quality standards of its products, its operational expertise and its diversified land bank portfolio. Capitalising on its design and construction experience and in-depth local knowledge in a broad range of cities and regions across the PRC, the Group designs its property projects to cater to the distinctive features of the culture, economy and environment of the city in which the project is located and the different needs, expectations and purchasing power of its potential purchasers. The Group seeks to maintain high standards in the properties that it develops in terms of design skill, quality of materials and furnishings in order to bolster its reputation as a developer of premium properties. The Group also provides value-added property management services to projects developed by it in the PRC. The Group intends to continue to devote its resources to improving project site selection, market orientation, project design, quality control, marketing and after-sales services.

Focusing on the mid- to high-end property sector and enhancing its market share in the PRC residential property sector, particularly in tier-one and tier-two cities

The Group will continue to target its products at the mid- to high-end market in tier-one and tier-two cities, which the Group believes will continue to generate strong demand in the long term, assuming ongoing economic growth in the PRC. The Group will continue to seek to enhance its market presence and profitability through prudent expansion. In particular, the Group seeks to enhance its market share and focus on the high-end segment in the tier-one cities of Beijing, Guangzhou, Shanghai and Shenzhen, where it already has a strong presence. The Group also plans to accelerate the scale and pace of its property development and grow its market share in tier-two cities in which it also has a presence, such as Foshan, Shenyang, Suzhou, Xi'an, Tianjin, Changchun and Chengdu. Moreover, it plans to expand opportunistically to new cities where its property development criteria are satisfied, in particular the ability to acquire suitable land at reasonable prices.

The Group will also continue to review appropriate opportunities to partner with large and reputable developers and participate in large-scale property development consortiums in a selective manner to minimise risks and accelerate its business development.

Developing Grand Oceans to serve as an effective complement in tier-three cities

While the Group's focus is on tier-one and tier-two cities in the PRC as well as Hong Kong and Macau, as described above, it will seek to complement its business operations by investing in tier-three cities either directly or through Grand Oceans. Some of the stringent policies and regulations with respect to the property industry implemented by the PRC government apply to tier-one and tier-two cities in the PRC, but do not apply to tier-three cities in the PRC. The Group expects that Grand Oceans' existing business operations in emerging tier-three cities, such as Hohhot, Yinchuan, Lanzhou, Ganzhou, Shantou and Hefei, will continue to develop at a fast pace, thereby serving as an effective complement to the Group's business operations in the PRC. The Group may also potentially invest in small cities which are located near its projects in tier-one and tier-two cities.

Expanding its land bank at reasonably low cost

Quality and the cost of replenishing the land bank are critical factors in determining profitability of property projects. The Group's management believes that it can build on its position as a major property developer in Mainland China and increase its market share by leveraging on its competitive strengths and ensuring its land investments are fiscally sound. The Group will continue to adopt a disciplined investment approach in acquiring quality land at a reasonably low cost, whether organically or through acquisition opportunities (as in the case of Grand Oceans).

The Group intends to maintain a quality and sizable land bank in the PRC and will continue to review appropriate opportunities to replenish its land bank by investing in new development sites at reasonably low cost as and when such sites become available. The Group plans to increase its land bank substantially over the next several years, while also achieving a balanced distribution of investment across the regions in which it operates.

Increasing its property investment portfolio to diversify income sources

Although the Group's management believes that the sale of property will continue to account for the largest proportion of its turnover, the Group will seek to continue to gradually expand its property investment portfolio, particularly in the commercial segment, which the Group's management believes will provide recurring rental income. See "— Property Investment" for further details.

Expanding its development through selective land acquisitions and mergers and acquisitions

The Group will continue and strive to replenish its prime land reserve by executing its prudent land policies. In recent years, the Group has leveraged on its strong financial position to selectively acquire land parcels, as well as acquiring quality properties from its joint ventures in which it has previously invested in order to strengthen its land reserve for future growth. For example, in May 2013, the Group purchased three properties in Xi'an, Qingdao and Shenyang from Harmony China Real Estate Fund, L.P. so that these properties are now wholly-owned by the Group. The Group will maintain an appropriate scale of investment and seize opportunities from market adjustments as they arise in the PRC property market. The Group will also consider merger and acquisition opportunities to supplement its organic growth as and when such opportunities arise, such as the acquisition of the Acquired Assets from CSCECL in May 2015 which increased the land bank of the Group by approximately 29.1 per cent., compared to its total land bank of 37.4 million square metres as at 31 December 2014 (without taking into account of the relevant members of the Group) (see "The Group — Recent Developments — Asset Acquisition"). The Group's management expects that there will continue to be merger and acquisitions opportunities arising from property market adjustments in the PRC as a result of the prevailing unfavourable global political and economic environment, which the Group would approach in an opportunistic manner.

Maintaining prudent financial management

The Group intends to continue to improve its fund management capabilities through sound financial management, taking advantage of its investment grade rating and its international and domestic funding platforms and channels. The Group will target a low gearing ratio relative to its peers, prudent levels of indebtedness and a strong liquidity position. The Group intends to make full use of its fund-raising capabilities to enhance its financial strength through capital and credit markets by tapping new channels and platforms as appropriate, subject to market conditions, including from time to time issuances of U.S. dollar debt securities and hybrid securities. The Group will also continue to improve its internal financial management processes and corporate governance standards. It strictly adheres to the principle of prudent financial management and in particular focuses on ensuring spending is in line with cash inflows. Moreover, the Group's management believes that it generally maintains a conservative level of debt, with sufficient cash flows for debt service. Prudent financial management and a strong finance function allows the Group to avoid the need to sell properties at low prices in a market downturn and positions the Group to seize business opportunities and to acquire prime land at reasonable cost. In summary, the Group seeks to strengthen its financial and cash flow management to support sustainable business growth.

RECENT DEVELOPMENTS

Year to Date Financial Overview

The Group's results of operations and financial performance for the three months ended 31 March 2015 was in line with management's expectations. The Group's turnover and operating profit for the first three months of 2015 increased slightly as compared to turnover and operating profit in the corresponding period in 2014. As at 31 March 2015, cash on hand of the Group decreased as compared to bank balances and cash as at 31 December 2014, mainly due to the payment of a substantial amount of land premiums and construction costs, and at the same time, the net gearing ratio increased as compared to the net gearing ratio as at 31 December 2014. In addition, property contracted sales by the Group (measured in Hong Kong dollars) in the first five months of 2015 increased slightly as compared to property contracted sales in the corresponding period in 2014.

In the five months ended 31 May 2015, the Group acquired three land parcels, as more fully described below.

On 7 January 2015, the Group acquired a site located in Xiamen's Tong'an District with a total site area of 43,796 square metres. This project is expected to have a total GFA of 149,695 square metres. The land was purchased by the Group for RMB751 million. The project is currently under planning.

On 15 January 2015, the Group acquired a site located in Jinan's Licheng District with a total site area of 431,058 square metres. This project is expected to have a total GFA of 1,475,399 square metres. The land was purchased by the Group for RMB2,804.6 million. The project is currently under planning.

On 8 May 2015, the Group acquired a site located in Qingdao's Binhai New District with a total site area of 70,756 square metres. This project is expected to have a total GFA of 266,118 square metres. The land was purchased by the Group for RMB740.5 million. The project is currently under planning.

Asset Acquisition

Acquired Assets

Subsequent to the approval by independent shareholders of the Company at a general meeting held on 5 May 2015, on 7 May 2015 the Group completed the acquisition of Celestial Domain Investments Limited (a wholly-owned subsidiary of CSCECL) and its various subsidiaries, joint ventures and associates (together, the "Target Group"), which are engaged in property development, investment and management.

The Target Group has a portfolio of 27 property projects. For more information, see the section headed "Property Projects acquired pursuant to the Asset Acquisition" below. These projects are located in various major cities in the PRC, including Beijing, Shanghai, Tianjin, Chongqing, Suzhou, Chengdu, Xi'an, Urumqi, Changsha, Weifang, Zibo, together with three property projects in London, which represented almost all of the remaining property development projects held by CSCECL and its related group companies in the PRC and London, save for those operated by its subsidiary construction bureaus and design institutes. As many of the property projects acquired pursuant to the Asset Acquisition have been managed by the Group pursuant to an entrustment management arrangement between the Group and CSCECL since January 2014, the Guarantor does not expect any significant unforeseen operational difficulties nor other typical risks that could arise from acquisitions of assets from third parties when integrating the Acquired Assets.

Property Projects acquired pursuant to the Asset Acquisition

Details of the property projects held by the Target Group as at 31 January 2015 are set out in the table below:

Project	City	Target Group's shareholding (per cent.)	Major usage	Total GFA (sq.m.)	Current status	Actual / Expected completion year
Development properties						
Metro Harbor	Beijing	80	Residential	332,165	Phase I completed	Completed portion: 2013
					Phases II & III for development	Development portion: 2017
Redwood Valley	Beijing	100	Residential	145,619	Phase I and part of Phase II completed	Completed portion: 2013
					Part of Phase II for development	Development portion: 2015
Metro Town North.	Beijing	100	Residential and office	296,518	Partly completed	Completed portion: 2014
					Partly for development	Development portion: 2015
CSCEC Linglong Shan. . .	Beijing	100	Office	81	Completed	2013
CSCEC Grand Mansion . .	Shanghai	100	Residential	182,526	Completed	2013
Riverside Palace	Shanghai	100	Residential	155,192	Phase I completed	Completed portion: 2014
					Phases II & III for development	Development portion: 2015
The Amethyst	Shanghai	50	Residential	121,482	Completed	2014
Lake Blossom	Chongqing	100	Residential	2,316,535	Partly completed	Completed portion: 2013
					Partly for development	Development portion: 2015–2020
One Tongzilin.	Chengdu	41	Residential	272,983	Completed	2014
Upper city	Xi'an	70	Residential	60,133	Completed	2014
The New Times.	Xi'an	100	Residential	689,913	Phase I completed	Completed portion: 2012
					Phases II to V for development	Development portion: 2016–2017
CSC Happiness Town . . .	Urumqi	60	Ancillary area	3,507	Completed	2014
Garden Full of Aroma . . .	Urumqi	60	Residential	2,437	Completed	2014

Project	City	Target Group's shareholding (per cent.)	Major usage	Total GFA (sq.m.)	Current status	Actual / Expected completion year
Meixi Lake Era.	Changsha	95	Residential	572,601	Phase I completed	Completed portion: 2014
					Phases II to IV for development	Development portion: 2015–2019
Da Guan Tian Xia	Weifeng	100	Residential	2,324,610	Partly completed	Completed portion: 2012-2014
					Partly for development	Development portion: 2015–2020
Glory Lake.	Zibo	100	Residential	1,008,681	Partly completed	Completed portion: 2014
					Partly for development	Development portion: 2016–2020
Metro Town South.	Beijing	80	Residential	119,342	For development	2015
Ao Nan 4th	Beijing	100	Office and commercial	129,213	For development	2017
Top Metropolitan Marina .	Tianjin	90	Residential	280,386	For development	2015–2020
Bamboo Grove Hotel	Suzhou	100	Catering and Hospitality	30,387	For development	To be redeveloped
The East Palace.	Chengdu	50	Residential	113,341	For development	2015
Ka Shi Dong Lu Shang Ye Zhu Zhai	Urumqi	60	Residential and office	378,932	For development	2018
Zi Yun Ge	Urumqi	60	Residential	130,055	For development	2019
South Hetan	Urumqi	60	Residential	292,447	For development	2019
Steeping In Your Backyard Garden.	Urumqi	60	Residential	812,504	For development	2016–2019
Sub-total				**10,771,590**		
Investment properties						
Sunflower Tower.	Beijing	100	Office	1,978	Completed	1999
China Fortune Tower	Shanghai	51	Office	95,622	Completed	2008
One Finsbury Circus	London	100	Office	19,260	Completed	Refurbishment in 2008
61 Aldwych	London	100	Office	16,482	Completed	Refurbishment in 2007
Carmelite House	London	100	Office	12,447	Completed	Redevelopment in 2014
Sub-total				**145,789**		
Total.				**10,917,379**		

Consideration

The consideration for the Asset Acquisition was RMB1,823.9 million (equivalent to approximately HK$2,308.8 million) (the "Consideration"), which was settled with internal resources of the Group. The Group also assumed certain loans owed by the Target Group to CSCECL and its subsidiaries (excluding the Group and Target Group) (the "CSCECL Loans") which, as at 31 January 2015, amounted to approximately RMB31,992.9 million (equivalent to approximately HK$40,497.3 million) of which, up to 11 May 2015, approximately RMB20,444.5 million was repaid by the Group. The remaining portion of the CSCECL Loans will be repaid within one year after the completion of the Asset Acquisition from the proceeds of the Share Subscription. The Consideration and the CSCECL Loans amounted to approximately RMB33,816.8 million (equivalent to approximately HK$42,806.1 million).

Basis of Consideration

The Consideration was determined after arm's length negotiation taking into account, among other things, the quality and size of the property portfolio held by the Target Group and an amount of approximately RMB1,823.9 million (equivalent to approximately HK$2,308.8 million), which was determined by adding (i) the unaudited combined net asset value attributable to the shareholder(s) of the Target Group as at 31 January 2015; and (ii) the increase in the unaudited combined value of the Target Group attributable to the shareholders of the Target Group in an amount of approximately RMB1,552.7 million (equivalent to approximately HK$1,965.4 million).

The "increase in the unaudited combined value of the Target Group" was determined by the appraised value less the net book value, net of deferred taxation, of properties owned by the Target Group, whereby:

"*appraised value*" means, in relation to properties owned by the Target Group, the preliminary total market value of those properties owned by the Target Group as at 31 January 2015 as appraised by CBRE Limited; and

"*net book value*" means, in relation to properties owned by the Target Group, the total unaudited carrying amounts of the properties under development, completed properties and/or investment properties owned by the Target Group as at 31 January 2015 measured in accordance with Hong Kong Financial Reporting Standards.

Share Subscription

In connection with the Asset Acquisition and to replenish the capital resources and support the future property development business of the Group, pursuant to a share subscription agreement dated 24 March 2015, the Company issued 1,686,605,875 shares to COHL at a price of HK$25.38 per share on 18 May 2015 (the "Share Subscription") which increased shareholders' equity of the Group by approximately HK$42,806,057,107.50 and approximately equalled the aggregate amount of the Consideration and the CSCECL Loans (as at 31 January 2015).

The Share Subscription represented approximately 20.63 per cent. of the issued share capital of the Company immediately prior to the completion of the Share Subscription, and approximately 17.10 per cent. of the issued share capital of the Company immediately after the completion of the Share Subscription. The new shares issued to COHL rank pari passu in all respects among themselves and with the shares of the Company in issue on the date of allotment and issue of the new shares.

The shareholding structure of the Company (i) immediately prior to the completion of the Share Subscription; and (ii) immediately after the completion of the Share Subscription, is summarised in the table below:

	Immediately prior to the completion of the Share Subscription		Immediately after the completion of the Share Subscription	
Name of shareholder	**Number of shares held**	**Approximate percentage of total issued share capital**	**Number of shares held**	**Approximate percentage of total issued share capital**
COHL	3,837,380,380	46.95%	5,523,986,255	56.02%
Silver Lot Development Limited	509,136,928	6.23%	509,136,928	5.16%
Public shareholders	3,827,458,198	46.82%	3,827,458,198	38.82%
Total	8,173,975,506	100%	9,860,581,381	100%

Acquisition and Possible Spin-off of Property Management Business

On 18 May 2015, the Company announced that it has entered into an equity transfer agreement to purchase the entire equity interest in 中海宏洋物業管理有限公司 (China Overseas Grand Oceans Property Management Limited), which is principally engaged in property management business in the PRC, from Grand Oceans for a consideration of RMB50,000,000. The acquisition was completed on 28 May 2015.

Furthermore, the Company also disclosed in the same announcement that it is considering the possibility of a spin-off and separate listing of its property management business on the Hong Kong Stock Exchange by way of introduction to be implemented by means of a distribution in specie by the Company of the shares of the spun-off entity to the shareholders of the Company (the "Possible Spin-off"). The Company has made an application to the Hong Kong Stock Exchange pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for approval of the Possible Spin-off and received written confirmation from the Hong Kong Stock Exchange that it may proceed with the Possible Spin-off. On 6 July 2015, the entity to be spun off, China Overseas Property Holdings Limited ("COPL"), submitted a listing application to the Hong Kong Stock Exchange for the listing, by way of introduction of, and permission to deal in, its shares.

The Possible Spin-off is subject to, among other things, the final decisions of the respective boards of directors of the Company and COPL and the approval of the listing committee of the Hong Kong Stock Exchange. No assurance can be given by the Company as to whether the Possible Spin-off will take place or when it will take place.

BUSINESS

The Group's primary business activities and interests are in three principal sectors: (1) property development, (2) property investment and (3) other operations. In relation to property development, the Group is a major property developer in the PRC and operates in Mainland China, Hong Kong and Macau. The Group intends to continue to increase stable, long-term income and to grow its property investment business, which is comprised primarily of property letting, to further diversify its turnover base. Other operations include property management, building design consultancy and other businesses.

The following table shows a breakdown of the Group's operations in terms of turnover for the years indicated:

	For the years ended 31 December			
	2012	2013	2014	2014
		(HK$ millions)		(U.S.$ millions)
Turnover				
Property development[1]	61,407.0	78,614.8	116,253.7	14,994.5
Property investment	584.8	857.5	1,184.9	152.8
Others[2]	2,588.9	2,996.8	2,558.4	330.0
Total turnover	64,580.7	82,469.1	119,997.0	15,477.3

Notes:

(1) The Group recognises turnover in the ordinary course of business when revenue recognition criteria are satisfied. See "— Property Development — Overview of Projects".

(2) "Others" includes property management, building design consultancy services and other businesses.

The following table shows a breakdown of the Group's operations in terms of segment profit (including shares of profits of associates and joint ventures) for the years indicated:

	For the years ended 31 December			
	2012	2013	2014	2014
		(HK$ millions)		(U.S.$ millions)
Contribution of segment profit				
Property development[1]	25,152.0	27,315.7	37,694.4	4,861.9
Property investment	4,146.9	4,203.8	6,033.7	778.2
Others[2]	136.6	221.1	110.7	14.3
Total contribution to segment profit	29,435.5	31,740.6	43,838.8	5,654.4

Notes:

(1) The Group recognises turnover in the ordinary course of business when revenue recognition criteria are satisfied. See "— Property Development — Overview of Projects".

(2) "Others" includes property management, building design consultancy services and other businesses.

PROPERTY DEVELOPMENT

Overview of Projects

Most of the Group's property developments are comprised of high quality residential properties targeting the middle-to high-end retail market in the PRC. The Group uses the brand name "China Overseas Property" ("中海地產 ") in the PRC. The Group offers a broad variety of products, including townhouses, low-rise apartments, high-rise apartments, villas, deluxe houses, international community developments and high-end houses.

For the year ended 31 December 2014, the Group, together with its joint ventures, completed 55 projects with the total GFA for these projects amounting to 10.8 million square metres. With respect to the property information contained in this Offering Circular, the site area information for an entire project is based on the relevant land use rights certificates. The aggregate GFA of an entire project is calculated by multiplying its site area by:

- the plot ratio specified in other approval documents from the local governments relating to the project;
- the maximum permissible plot ratio as specified in the relevant land grant contracts; or
- such lower plot ratio as the Group reasonably expects to be able to develop for such project.

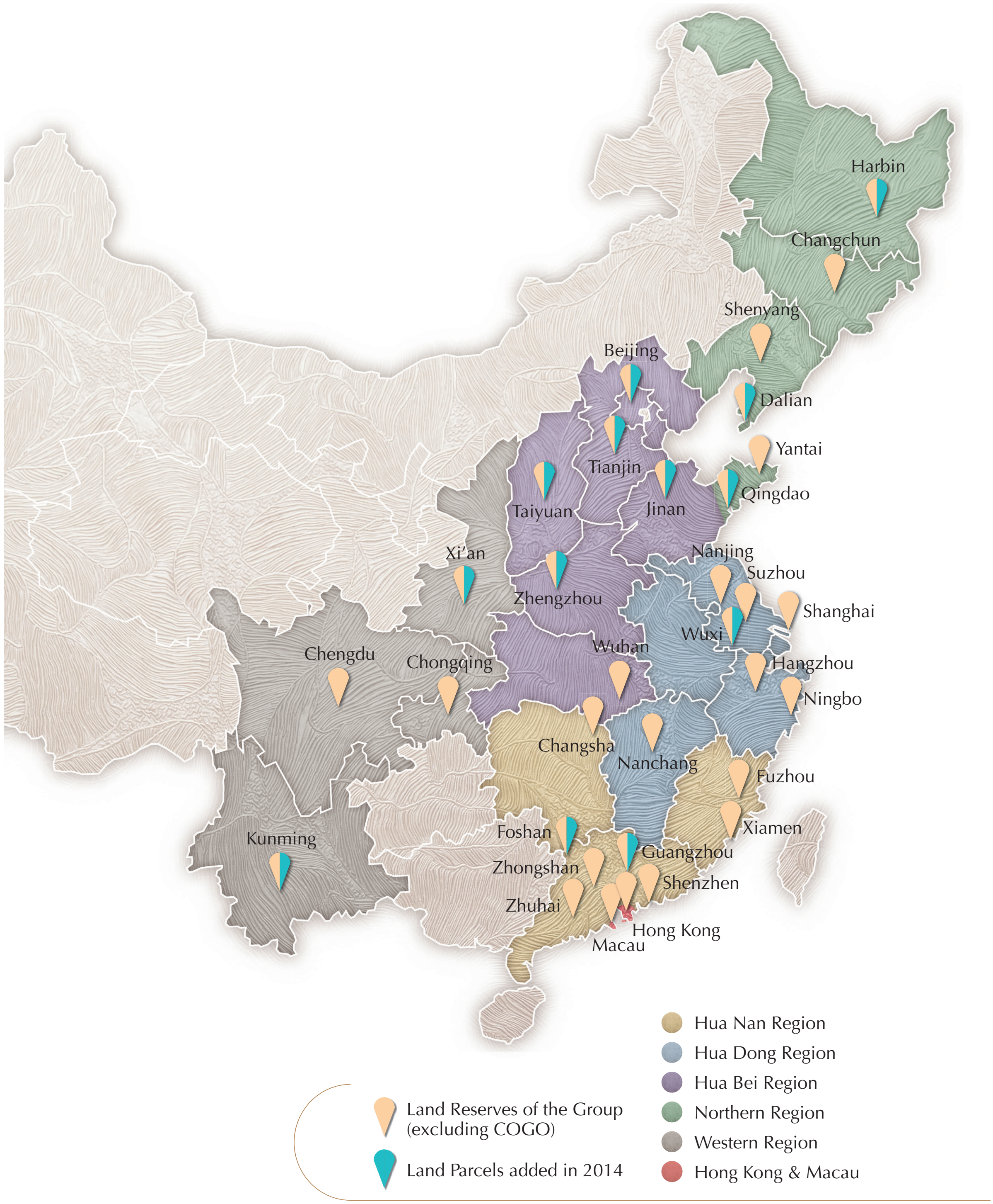
The aggregate GFA of a project includes both saleable and non-saleable GFA. Non-saleable GFA refers to certain communal facilities, including transformer rooms, club houses and guard houses.

The Group generally treats a property unit as "sold" when an agreement is executed with a customer. A property unit is classified as "pre-sold" when the property unit has been sold but the sale amount related thereto has not yet been recognised as turnover. The Group recognises the sales of properties in the ordinary course of business as turnover when all of the following criteria are satisfied: (1) the significant risks and rewards of ownership of the properties are transferred to the buyers; (2) neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained; (3) the amount of revenue can be measured reliably; (4) it is probable that the economic benefits associated with the transaction will flow to the Group; and (5) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

As described in "The Group", the Group generally classifies its development properties into properties held for future development, properties under development and completed properties. Properties held for future development are those where the Group has obtained land use certificate for some or all of the development, but where project development has not commenced. Properties under development are those where a land use certificate has been obtained for some or all of the development and where project development has commenced. Completed properties are those property developments which are suitable for occupancy and delivery to purchasers, with all necessary occupation permits or completion certificates obtained and the relevant utilities, access and other related infrastructure being in place.

For the purposes of the Group's consolidated financial statements, payments by the Group for land bank acquired where the land use certificates have not yet been obtained are recorded by the Group in its consolidated financial statements as "deposits for land to be developed for sale". Once the relevant land use certificate has been received for some or all of a project development, whether or not the Group has commenced such development, the project is reclassified as "stock of properties" as a current asset, along with the Group's completed properties. Stock of properties includes the Group's properties under development that are not expected to be realised within twelve months from the end of the relevant reporting period, and the amount is separately disclosed. However, properties intended to be developed for investment are not classified as "stock of properties", but are classified as "investment property" under non-current assets.

The following map indicates the approximate locations of the Group's property projects in Mainland China, Hong Kong and Macau as at 31 December 2014:



Set forth below is a summary overview of certain of the Group's major properties completed and held for sale, major projects under development and major properties held for the future development as at 31 December 2014. In general, this overview covers properties in which the Group had made substantial investment as at 31 December 2014. In all cases, the Group's interest reflects an interest in the division of the property following completion of a development project.

Major Properties Completed and Held for Sale

Name of property and location	Use	GFA	Group's interest
		('000 m²)	(per cent.)
Golden Violet *Nanguan District, Changchun, PRC*	Residential	143	100
Royal Court *Linhe District, Changchun, PRC*	Residential	148	100
International Community III *Yuelu District, Changsha, PRC*	Residential	244	100
No. 1 Lake Lantern II *Qiandenghu West District, Foshan, PRC*	Residential	108	100
No. 8, The Milestone Hexi District, Tianjin, PRC	Residential	63	100
Windsor Pavilion *Hi-tech Zone, Yantai, PRC*	Residential	134	100
Silver Bay III *Xiangzhou District, Zhuhai, PRC*	Residential	146	100
International Community IV *Heping District, Shenyang, PRC*	Residential	115	100
Royal Lake *Ganjingzi District, Dalian, PRC*	Residential	73	100

Major Properties under Development

Name of property and location	Intended use	Year of expected completion	Site area	GFA	Group's interest
			('000 m²)	('000 m²)	(per cent.)
La Cite *Nanhai District, Foshan*	Commercial/Residential	2015	112	506	100
La Cite *Minxing District, Shanghai*	Commercial/Residential	2015	79	243	100
Royal Peninsula *Guandu District, Kunming*	Residential	2015	173	377	65
The Peace Land *Binhai New District, Qingdao*	Residential	2015	74	217	100
The Phoenix *Gusu District, Suzhou*	Residential	2015	134	434	100
The Carat *Newly Reclaimed Land, Macau*	Commercial/Residential	2015	7	34	85
Glorious Garden *Jinshui District, Zhengzhou*	Residential	2016	66	272	100
Glorious City *Longhua District, Shenzhen*	Commercial/Residential	2016	52	366	100
Residence Nine *Baoan District, Shenzhen*	Residential	2016	152	188	100
The Arch *Qujiang New District, Xi'an*	Residential	2016	189	670	100

Name of property and location	Intended use	Year of expected completion	Site area	GFA	Group's interest
			('000 m^2)	('000 m^2)	(per cent.)
Ningbo International Community *Yinzhou District, Ningbo*	Residential	2016	379	610	100
Qingdao International Community *Licang District, Qingdao*	Commercial/Residential	2016	391	234	100
Nanjing International Community *Jiangning District, Nanjing*	Commercial/Residential	2016	234	931	100
Ap Lei Chau Project *Southern District, Hong Kong*	Residential	2016	3	21	100
La Cite *Huanggu District, Shenyang*	Commercial/Residential	2016	741	1,073	100
Paramount Jade *Licheng District, Jinan*	Commercial/Residential	2017	599	1,782	100
The Phoenix *Binhu District, Wuxi*	Residential	2017	186	613	51
Jinan International Community *Shizhong District, Jinan*	Commercial/Residential	2017	1,782	1,365	100
La Cite *Minhou County, Fuzhou*	Commercial/Residential	2017	174	730	100
La Cite *Daoli District, Harbin*	Residential	2018	183	603	100
Yantai International Community *Gaoxin District, Yantai*	Residential	2019	452	1,380	100
COLI City *Yuhong District, Shenyang*	Residential	2020	1,254	1,934	100
Gate of Peace *Heping District, Shenyang*	Commercial/Residential	2021	537	2,276	100

Major Properties Held for Future Development

Name of property and location	Intended use	Site area	GFA	Group's interest
		('000 m^2)	('000 m^2)	(per cent.)
King's Mansion *Shijingshan District, Beijing, PRC*	Residential	107	426	100

Property Sales

Property sales include both pre-sales and sales of properties from stock in a particular period. The Group, together with Grand Oceans and its joint ventures, sold a total GFA of 9.4 million square metres in 2014.

The table below sets out information regarding the property sales (by value and by GFA) of the Group in 2013 and 2014.

	Property Sales in Value		Property Sales in GFA	
	2014	2013	2014	2013
	(HK$ billions)		('000 m^2)	
Hua Nan Region	32.9	26.7	1,570.1	1,706.7
Hua Dong Region	21.6	27.3	1,145.5	1,509.3
Hua Bei Region	17.7	12.4	1,051.7	595.9
Northern Region	20.4	16.6	2,024.8	1,553.9
Western Region	12.0	11.7	782.1	808.4
Hong Kong and Macau	5.1	1.6	22.7	10.9
Total	109.7	96.3	6,596.9	6,185.1

Land Bank

The Group acquires land in developing cities and districts in the PRC to support its property development growth and to allow it greater balance in the distribution of its investment across the PRC.

As at 31 December 2014, the Group, together with its joint ventures, had a total land bank of 37.4 million square metres (with an attributable interest of 35.0 million square metres), while Grand Oceans had a total land bank of 12.1 million square metres (with an attributable interest of 11.4 million square metres) in a total of 45 PRC cities as well as Hong Kong and Macau. The Group's management believes that, subject to market conditions, this reserve is enough to meet its requirements for development over the next several years, although it will seek to expand its land bank opportunistically. The land bank of the Group, together with its joint ventures, is well spread across the PRC with approximately 35.2 per cent., 17.0 per cent., 15.9 per cent., 13.4 per cent. and 18.1 per cent. situated in the Northern Region, the Hua Dong Region, the Hua Nan Region, the Western Region and the Hua Bei Region, respectively, as at 31 December 2014.

In 2014, the Group, together with its joint ventures, acquired 17 parcels of land in 13 PRC cities and increased its total land bank by 9.0 million square metres (with an attributable interest of approximately 8.6 million square metres), while Grand Oceans acquired four parcels of land in four PRC cities and increased its land bank by 2.7 million square metres (with an attributable interest of the same amount), as more fully described below. The following table shows the land parcels acquired by the Group, together with its joint ventures, for the year ended 31 December 2014.

City	**Name of Project**	**Attributable Interest**	**Land Area**	**Total GFA**	**Attributable GFA**	**Land Cost**
		(per cent.)	**('000 m^2)**	**('000 m^2)**	**('000 m^2)**	**(RMB mn)**
Guangzhou	Liwan District #1 Project*	100	140	1,060	1,060	9,599
Guangzhou	Liwan District #2 Project	100	36	222	222	1,911
Foshan	Nanhai District Guicheng Project	100	65	276	276	1,045
Wuxi	Binhu District Project	51	136	386	197	572
Beijing	Shijingshan District Project	100	107	426	426	5,900
Tianjin	Hexi District #1 Project	100	78	453	453	5,040
Tianjin	Hexi District #2 Project	100	83	413	413	3,930
Jinan	Licheng District Huashan Project	100	599	1,782	1,782	3,163
Zhengzhou	Jinshui District Project	100	66	272	272	1,212
Taiyuan	Wanbailin District #1 Project	95	45	676	642	960
Taiyuan	Wanbailin District #2 Project	50	59	433	217	895
Qingdao	Jimo City Tianheng Town Project	100	872	1,107	1,107	915
Dalian	Ganjingzi District Project	100	95	184	184	378
Harbin	Qunli New District Project	100	183	603	603	1,260
Xi'an	Chanba New District Project	100	84	255	255	377
Kunming	Wuhua District Project #1	100	55	290	290	687
Kunming	Wuhua District Project #2	100	36	202	202	433
Total			2,739	9,040	8,601	38,277

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

The following table shows the four land parcels acquired by Grand Oceans through public land auctions in the year ended 31 December 2014.

City	Name of Project	Attributable Interest	Land Area	Total GFA	Attributable GFA	Land Cost
		(per cent.)	('000 m^2)	('000 m^2)	('000 m^2)	(RMB mn)
Lanzhou.	Anning District Beibinhe Road Project	100	159	690	690	830
Shantou	Donghai'anxincheng Binjiang Road Project	100	51	215	215	680
Yangzhou.	Kaifa District ZhouzhuangheRoad Project	100	79	165	165	257
Nanning	Xingning District Project	100	414	1,633	1,633	2,394
Total			703	2,703	2,703	4,161

Major Projects under Development

Set forth below are details of certain of the Group's key properties under development. A number of these projects are still in early stages of development, but are expected by management to be material to the Group.

(1) La Cite, Foshan

La Cite is a commercial and residential project located in Foshan's Nanhai District. The project occupies a total site area of 112,000 square metres with an aggregate total GFA of 506,000 square metres. The land was purchased by the Group in December 2012 for RMB2,840 million. The project is targeted to be completed in 2015.

(2) La Cite, Shanghai

La Cite is a commercial and residential project located in Shanghai's Minxing District. The project occupies a total site area of 79,000 square metres with an aggregate total GFA of 243,000 square metres. The land was purchased by the Group in July 2013 for RMB3,700 million. The project is targeted to be completed in 2015.

(3) Royal Peninsula, Kunming

Royal Peninsula is a residential project located in Kunming's Guandu District. The project occupies a total site area of 173,000 square metres with an aggregate total GFA of 377,000 square metres. The land was purchased by the Group in January 2013 for RMB505 million. The project is targeted to be completed in 2015.

(4) The Peace Land, Qingdao

The Peace Land is a residential project located in Qingdao's Binhai New District. The project occupies a total site area of 74,000 square metres with an aggregate total GFA of 217,000 square metres. The land was purchased by the Group in December 2012 for RMB872 million. The project is targeted to be completed in 2015.

(5) The Phoenix, Suzhou

The Phoenix is a residential project located in Suzhou's Gusu District. The project occupies a total site area of 134,000 square metres with an aggregate total GFA of 434,000 square metres. The land was purchased by the Group in December 2012 for RMB1,990 million. The project is targeted to be completed in 2015.

(6) The Carat, Macau

The Carat is a commercial and residential project located in Macau on newly reclaimed land. The project occupies a total site area of 7,000 square metres with an aggregate total GFA of 34,000 square metres. The land was purchased by the Group in July 2010 for HK$1,735 million. The project is targeted to be completed in 2015.

(7) Glorious Garden, Zhengzhou

Glorious Garden is a residential project located in Zhengzhou's Jinshui District. The project occupies a total site area of 66,000 square metres with an aggregate total GFA of 272,000 square metres. The land was purchased by the Group in February 2014 for RMB1,212 million. The project is targeted to be completed in 2016.

(8) Glorious City, Shenzhen

Glorious City is a commercial and residential project located in Shenzhen's Longhua District. The project occupies a total site area of 52,000 square metres with an aggregate total GFA of 366,000 square metres. The land was purchased by the Group in October 2013 for RMB3,820 million. The project is targeted to be completed in 2016.

(9) Residence Nine, Shenzhen

Residence Nine is a residential project located in Shenzhen's Baoan District. The project occupies a total site area of 152,000 square metres with an aggregate total GFA of 188,000 square metres. The land was purchased by the Group in November 2012 for RMB2,000 million. The project is targeted to be completed in 2016.

(10) The Arch, Xi'an

The Arch is a residential project located in Xi'an's Qujiang New District. The project occupies a total site area of 189,000 square metres with an aggregate total GFA of 670,000 square metres. The land was purchased by the Group in August 2011 and May 2013 for RMB260 million and RMB711 million, respectively. The project is targeted to be completed in 2016.

(11) Ningbo International Community, Ningbo

Ningbo International Community is a residential project located in Ningbo's Yinzhou District. The project occupies a total site area of 379,000 square metres with an aggregate total GFA of 610,000 square metres. The land was purchased by the Group in December 2012 for RMB3,635 million. The project is targeted to be completed in 2016.

(12) Qingdao International Community, Qingdao

Qingdao International Community is a commercial and residential project located in Qingdao's Licang District. The project occupies a total site area of 391,000 square metres with an aggregate total GFA of 234,000 square metres. The land was purchased by the Group in February 2011 for RMB3,286 million. The project is targeted to be completed in 2016.

(13) Nanjing International Community, Nanjing

Nanjing International Community is a commercial and residential project located in Nanjing's Jiangning District. The project occupies a total site area of 234,000 square metres with an aggregate total GFA of 931,000 square metres. The land was purchased by the Group in February 2013 for RMB2,806 million. The project is targeted to be completed in 2016.

(14) Ap Lei Chau Project, Hong Kong

Ap Lei Chau Project is a residential project located in the Southern District of Hong Kong. The project occupies a total site area of 3,000 square metres with an aggregate total GFA of 21,000 square metres. The land was purchased by the Group in April 2012 for HK$2,538 million. The project is targeted to be completed in 2016.

(15) La Cite, Shenyang

La Cite is a commercial and residential project located in Shenyang's Huanggu District. The project occupies a total site area of 741,000 square metres with an aggregate total GFA of 1,073,000 square metres. The land was purchased by the Group in November 2009 for RMB3,484 million. The project is targeted to be completed in 2016.

(16) Paramount Jade, Jinan

Paramount Jade is a commercial and residential project located in Jinan's Licheng District. The project occupies a total site area of 599,000 square metres with an aggregate total GFA of 1,782,000 square metres. The land was purchased by the Group in January 2014 for RMB3,163 million. The project is targeted to be completed in 2017.

(17) The Phoenix, Wuxi

The Phoenix is a residential project located in Wuxi's Binhu District. The project occupies a total site area of 186,000 square metres with an aggregate total GFA of 613,000 square metres. The land was purchased by the Group in December 2013 for RMB1,925 million. The project is targeted to be completed in 2017.

(18) Jinan International Community, Jinan

Jinan International Community is a commercial and residential project located in Jinan's Shizhong District. The project occupies a total site area of 1,782,000 square metres with an aggregate total GFA of 1,365,000 square metres. The land was purchased by the Group in August 2009 for RMB3,341 million. The project is targeted to be completed in 2017.

(19) La Cite, Fuzhou

La Cite is a commercial and residential project located in Fuzhou's Minhou County. The project occupies a total site area of 174,000 square metres with an aggregate total GFA of 730,000 square metres. The land was purchased by the Group in December 2013 for RMB3,912 million. The project is targeted to be completed in 2017.

(20) La Cite, Harbin

La Cite is a residential project located in Harbin's Daoli District. The project occupies a total site area of 183,000 square metres with an aggregate total GFA of 603,000 square metres. The land was purchased by the Group in February 2014 for RMB1,260 million. The project is targeted to be completed in 2018.

(21) Yantai International Community, Yantai

Yantai International Community is a residential project located in Yantai's Gaoxin District. The project occupies a total site area of 452,000 square metres with an aggregate total GFA of 1,380,000 square metres. The land was purchased by the Group in October 2013 for RMB1,816 million. The project is targeted to be completed in 2019.

(22) COLI City, Shenyang

COLI City is a residential project located in Shenyang's Yuhong District. The project occupies a total site area of 1,254,000 square metres with an aggregate total GFA of 1,934,000 square metres. The land was purchased by the Group in October 2009 for RMB3,508 million. The project is targeted to be completed in 2020.

(23) Gate of Peace, Shenyang

Gate of Peace is a commercial and residential project located in Shenyang's Heping District. The project occupies a total site area of 537,000 square metres with an aggregate total GFA of 2,276,000 square metres. The land was purchased by the Group in December 2013 for RMB4,601 million. The project is targeted to be completed in 2021.

Property Development Process

Development of the Group's properties usually entails six phases: land acquisition, project planning and preliminary work, design, project construction, pre-sales and sales, and after-sales services. The following diagram illustrates the stages of the property development cycle in the PRC:

The typical development cycle for vacant land in the PRC is approximately three years, whereas the development cycle for urban property projects can be longer, particularly for project sites that are not vacant at the time of acquisition.

The Group is involved in the different stages of the development process in order to control the costs, schedule and quality of its projects. Except for the design and construction of development projects, the Group oversees and largely performs all aspects of its development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for development, supervision of the design and construction of development projects, and the marketing and management of completed projects.

Site selection and product positioning

The Group undergoes a site selection process and conducts an in-depth market analysis in order to understand the trends of the property market and market prices before it commences or launches a property development. The major site selection criteria applied by the Group include the following:

- development plans (of the government) for the relevant site;
- accessibility of the site and available infrastructural support;
- consumer demand for properties in that area;
- competition from other developments in the locality;
- its convenience and the amenities close to the site (such as natural parks, greenery, schools, rivers and commercial facilities); and
- cost, investment and financial return ratios.

Land acquisition

Prior to 2002, most of the land use rights owned by the Group were obtained from other land developers, either by direct purchases or as part of a joint venture arrangement, or from the local land bureau by agreement.

For land use rights obtained after 2002, the "Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Competitive Bidding, Public Auction and Public Trading" promulgated by the Ministry of Land and Resources with effect from 1 November 2002, provide that with limited exemptions, state-owned land use rights for the purposes of industrial and commercial use, tourism and entertainment and commodity residential properties in the PRC can only be granted by the government through public competitive bidding, public auction or public trading on land exchanges.

Financing of property developments

The Group has three main sources of funding for its property developments: internal resources, bank loans and debt financing and proceeds from pre-sales. The Group's financing method varies from property to property. Generally, the Group finances its property developments with internal resources to the extent practicable and pre-sells the development where the regulatory requirements for pre-sale have been met and, where market conditions allow, in order to reduce the level of external funding required.

Design

Construction design entails all aspects of the projection and design of a property development including planning, architecture, landscaping and interior design.

Marketing and promotion

During project evaluation and before commencement of construction, the Marketing and Sales Department of the Group usually carries out substantial market research for particular projects, including the identification of property trends, prospects and market potential. By identifying the potential demand for, and strengths and weaknesses of, a project at an early stage, the Group is able to formulate its marketing and promotion strategies at the planning stage of each project and to target its sales efforts at potential classes of purchasers for the project throughout its development.

The Marketing and Sales Department is also responsible for marketing new properties developed by the Group. The Group promotes and markets its developed properties through various media outlets, including television, radio, newspapers and magazines, the Internet and billboards. The Group also participates in property exhibitions and other marketing activities.

Development, construction and management

Apart from various centralised departments that oversee and control the major steps of all the developments undertaken by the Group, the Group has established individual project companies that are responsible for day-to-day operations and project management of each individual project. The centralised departments, which include the Marketing and Sales Department, the Design Management Department, the Contract Management Department and the Construction Management Department, assume control of all the major stages of the development, including project identification, project planning and design, and budget control through organised tenders. Each individual project company is responsible for implementing infrastructure and installation of basic utilities, engineering and supervision of day-to-day construction work.

The Group engages third party contractors (including CSCECL) to provide various services, including construction, piling and foundation, building and property fitting-out work, interior decoration and installation of air-conditioning units and elevators. The Group's development projects are usually undertaken by contractors selected by way of open tender and it is the Group's policy to solicit bids from at least three contractors or suppliers. The tender procedures must comply with the relevant local regulations.

The Group controls development costs at the early stage of the project development process. Its in-house design team focuses on the selection of materials and construction methods to minimise costs.

The five largest suppliers of the Group accounted for less than 30 per cent. of the Group's total purchases in 2014.

Quality management system

The Group and its products and services are required to comply with relevant regulations and industry standards. Quality control procedures are in place in different functional departments of the Group as well as in each project company.

Internal guidelines have been established and are monitored to ensure control over documentation, recordkeeping, internal audit, service standards, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

Pre-sales

The Group must apply to the relevant government authorities for pre-sale permits before commencing pre-sales of its properties. Such permits will normally be issued only when, amongst other things, (i) the land premium has been fully paid; (ii) the land use right certificate, the construction land planning permit, the construction work planning permit and the construction project building permit have been obtained; and (iii) the construction works of the commodity houses have been completed up to the stipulated standard, i.e., in relation to multi-storey buildings (buildings of less than or equal to 12 stories or less), after the construction of the principal structure has been completed, and in relation to high-rise buildings (buildings of more than 12 stories), after two-thirds of the construction has been completed.

Under PRC laws and regulations, the proceeds from the pre-sales of the Group's properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the moneys deposited in these escrow accounts may only be used to purchase construction material and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. As at the date of this Offering Circular, the Group was in compliance, in all material respects, with the relevant laws and regulations applicable to the pre-sale of properties in the PRC.

Payment method and mortgage financing

Purchasers may pay for the Group's properties by way of a lump sum payment or payment in instalments or payments with mortgage facilities. The Group typically requires its purchasers to pay a non-refundable deposit upon entering into provisional purchase contracts. If the purchasers later decide not to enter into formal purchase contracts, they will forfeit such deposits. If the purchasers choose to fund their purchases by mortgage loans provided by banks, it is their own responsibility to apply for and obtain the mortgage approvals. Upon request, the Group may also assist mortgage applicants by providing the relevant property information to expedite the application process.

Most of the Group's customers purchase their properties through mortgage financing. The Group makes arrangements with various domestic banks to provide mortgage facilities to purchasers of its properties. The Group provides guarantees to mortgagee banks in respect of mortgages offered to its customers, but only from the date of the relevant mortgage up to typically either submission of the relevant property ownership certificates by the relevant customer to the mortgagee bank or completion of the registration of the mortgage with the relevant local authority. When submission of relevant ownership certificates is required, the guarantee period for such preregistration guarantee normally lasts for up to 18 months. In other situations, the guarantee period for a preregistration guarantee is shorter. If, during the guarantee period, a borrower defaults on its repayment obligations, the Group is liable to the mortgagee bank for the amount owing to them from the borrower, but it will have the right to take possession and re-sell the mortgaged property. Accordingly, the period in which the Group actually bears the credit risk of its customers starts from the date of the relevant mortgage and ends on the date when the registration of the mortgage with the relevant local authority is completed. In line with industry practice, the Group does not conduct independent credit checks on its purchasers but relies on the credit checks conducted by the mortgagee banks. As at 31 December 2014, the Group's outstanding guarantees over the mortgage loans of its customers amounted to HK$17,404 million. The Group has not experienced any default by a significant portion of such customers under pre-registration guarantees.

After-sales services

The Group assists its customers in arranging for and providing information relating to financing, including information on potential mortgagee banks and the mortgage terms they offer. It also assists its customers in various title registration procedures relating to the properties.

The Group maintains a client relationship management system to foster customer relationships. The Customer Services Department carries out customer surveys with the purchasers normally one year after delivery of possession to seek customer feedback on the design and quality of the properties and the quality of the Group's customer and management services. Such data is then used when developing and planning new projects. The Group also has a subdivision devoted to handling customer complaints and maintenance and repair requests.

PROPERTY INVESTMENT

Property investment is another source of turnover for the Group. For the years ended 31 December 2012, 2013 and 2014, turnover from property investments amounted to HK$584.8 million, HK$857.5 million and HK$1,184.9 million, respectively, amounting to 0.9 per cent., 1.0 per cent. and 1.0 per cent. of the Group's turnover, respectively. For the year ended 31 December 2014, approximately 86 per cent. of the turnover from property investment was generated in the PRC, while 14 per cent. was generated in Hong Kong and Macau. The Group will seek to grow this business segment as a turnover generator for the Group.

As at 31 December 2014, the Group's investment property portfolio comprised completed rental properties held for long-term investment with a mix of uses, including commercial (office and retail) properties and carparks, and investment properties under development. The investment property portfolio of the Group was approximately 2.7 million square metres in the PRC, Hong Kong and Macau as at 31 December 2014.

The Group's rents are generally quoted per square foot and square metre of lettable area in Hong Kong and the PRC, respectively. In most cases, the rents quoted by the Group do not include property management charges and rates payable by its tenants.

Office and commercial leases are typically entered into for two to three year terms with some having the option to renew. In connection with longer-term leases, the tenancy agreements usually contain rent review clauses or rent adjustment provisions. The rental income from the investment portfolio is expected to continue to provide a stable and recurrent income base to the Group.

Major Completed Investment Properties

The following table shows certain of the Group's major completed investment properties as at 31 December 2014:

Property Name	City	Use	Lease term	Group's interest	Area
				(per cent.)	('000 m^2)
China Overseas Building	Hong Kong	Commercial and carparks	Medium-term lease expiring on 30 June 2047	100	19
China Overseas Property Building . . .	Beijing	Commercial and carparks	50 years expiring on 10 June 2051	100	24
China Overseas Plaza.	Beijing	Commercial and carparks	50 years expiring on 2 April 2053	100	134
China Overseas Property Plaza	Beijing	Commercial and carparks	40 years expiring on 18 March 2043	100	82
China Overseas International Center Phase One	Chengdu	Commercial and carparks	40 years expiring on 11 November 2048	100	129
China Overseas International Center Phase Two	Chengdu	Commercial and carparks	40 years expiring on 11 November 2048	100	66
Blocks F and G, West Lot of China Overseas International Center	Chengdu	Commercial and carparks	40 years expiring on 17 April 2051	100	93
Block J, Renhe No. 39 Land of China Overseas International Center	Chengdu	Commercial and carparks	40 years expiring on 17 April 2052	100	65
China Overseas Building	Chengdu	Commercial and carparks	40 years expiring on 21 April 2045	100	35
China Overseas Building	Qingdao	Commercial and carparks	40 years expiring on 30 October 2047	100	56
Unipark Shopping Mall	Jinan	Commercial and carparks	40 years expiring on 29 November 2049	100	62
China Overseas Plaza.	Jinan	Commercial and carparks	40 years expiring on 29 November 2049	100	78
China Overseas Building	Beijing	Commercial and carparks	40 years expiring on 29 January 2053	100	68
China Overseas Building	Xi'an	Commercial and carparks	70 years expiring on 25 June 2080	100	32
China Overseas Plaza.	Shenyang	Commercial and carparks	40 years expiring on 18 December 2049	100	183

Major Investment Properties Under Development

The following table shows certain of the Group's major investment properties under development as at 31 December 2014:

Property Name	City	Intended use	Lease term	Group's interest	Area	Year of expected completion
				(per cent.)	('000 m^2)	
China Overseas Building.	Nanjing	Commercial and carparks	40 years expiring on 11 June 2046	100	159	2015
China Overseas Plaza Tower	Zhuhai	Commercial and carparks	40 years expiring on 12 August 2050	100	215	2015
No. 8, The Milestone . .	Tianjin	Commercial and carparks	40 years expiring on 14 March 2053	100	59	2015
Unipark Shopping Mall	Foshan	Commercial and carparks	40 years expiring on 27 December 2052	100	102	2016
China Overseas Building.	Wuhan	Commercial and carparks	40 years expiring on 5 July 2053	100	55	2016
Block H, West Lot of China Overseas International Center .	Chengdu	Commercial and carparks	40 years expiring on 17 April 2051	100	96	2017
Block I, Renhe No. 39 land of China Overseas International Center .	Chengdu	Commercial and carparks	40 years expiring on 17 April 2052	100	91	2017
China Overseas International Center Phase Three	Chengdu	Commercial and carparks	40 years expiring on 11 November 2048	100	171	2017
China Overseas Building.	Zhuhai	Commercial and carparks	40 years expiring on 1 February 2048	100	343	2017
International Community C-3 . . .	Jinan	Commercial and carparks	40 years expiring on 16 September 2049	100	176	2018
China Overseas International Building.	Tianjin	Commercial and carparks	40 years expiring on 29 July 2049	100	131	2018

OTHER OPERATIONS

The Group is also involved in a range of other operations including property management, construction and building design consultancy and other businesses. These property-related businesses supplement the Group's property development and investment property business.

Property Management

The Group operates its property management business through China Overseas Property Management, a leading brand in the property management industry in Mainland China. The Group managed a total GFA of approximately 50.0 million square metres in 2014. China Overseas Property Management also manages several large shopping malls and carparks in Hong Kong.

On 18 May 2015, the Group announced its acquisition of 中海宏洋物業管理有限公司 (China Overseas Grand Oceans Property Management Limited) from Grand Ocean and that it is considering the possibility of a spin-off and separate listing of its property management business on the Hong Kong Stock Exchange. See "The Group — Recent Developments — Acquisition and Possible Spin-off of Property Management Business".

Building Design and Consultancy

The Group operates its construction and building design consultancy services business through a subsidiary, Hua Yi Designing Consultants Limited ("Hua Yi"), which was established in 1986. Hua Yi has attained "Grade A Architectural Design Qualification" and "Grade A Urban Planning Qualification", with over 900 professional designers and eight national branch offices. Hua Yi has completed about 1,500 architectural and engineering design projects within Mainland China and has been granted excellent design awards at national, provincial and ministerial levels.

COMPETITION

The property market in the PRC is highly fragmented and there is no dominant market player. The Group's existing and potential competitors include major domestic state-owned, collectively-owned and private developers and foreign developers from the rest of Asia (including several leading developers from Hong Kong).

With respect to its investment properties, the Group competes with other major property developers to attract residential, commercial and industrial tenants and to draw customers to the retail outlets, restaurants and carparks in its developments. The Group competes for tenants, primarily based upon the quality and location of its buildings, its reputation as a building owner and the quality of its support services.

The Group regards China Resources Land Ltd. and China Vanke Co., Ltd. as other major participants in the PRC's national property market. In addition, the Group competes with local property developers in each of the regions and cities in which it operates.

DEBT MATURITY

The maturities of the Group's bank loans and guaranteed notes payable as at 31 December 2014 are set out below:

	As at 31 December 2014	
	(HK$ millions)	(U.S.$ millions)
Bank loans and guaranteed notes payable		
Within one year	22,542	2,907
More than one year	71,990	9,286
Total	**94,532**	**12,193**

EMPLOYEES

As at 31 December 2014, the Group had 25,705 employees. As at the date of this Offering Circular, none of the Group's employees were members of a trade union and the Group has not experienced any strikes or other disruptions due to labour disputes. The Group's management believes that the Group maintains a good relationship with its employees.

The Group has established a wide range of training and development programs for its employees. In addition to providing internal courses, the Group also engages outside professionals and consultants to organise seminars and training courses to equip its employees with up-to-date industry knowledge. The Group also sponsors its employees to attend external training programs organised by local and overseas institutions to acquire advanced knowledge and skills.

ENVIRONMENTAL AND SAFETY MATTERS

The Group is subject to PRC environmental laws and regulations as well as environmental regulations promulgated by government authorities. These include regulations on air pollution, noise emissions and water and waste discharge. Each property developed by the Group must undergo environmental assessments and an environmental impact study report needs to be submitted to the relevant government authorities before approval is granted for commencement of the property development, except for some early property developments which were approved before the applicable environmental laws were promulgated. At completion of each property, the relevant government authorities will also need to inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record.

The Group's operations are also subject to inspections by government authorities with regard to various safety and environmental issues. The Group's management believes that the Group is in compliance in all material respects with applicable governmental regulations in the jurisdictions in which the Group operates. Compliance with such laws has not had, and in management's opinion is not expected to have, a material adverse effect upon the Group's capacity, expenditure, earnings or competitive position. The Group is not aware of any governmental proceedings or investigations to which it or any member of the Group is or might become a party and which may have a material adverse effect on its properties and operations.

LEGAL PROCEEDINGS

The Group is not aware of the Guarantor or any of its subsidiaries being involved in any litigation or arbitration proceeding that would have a material adverse effect on the business or financial position of the Group or the Guarantor and no material litigation or claim is known by the Group to be pending or threatened against the Guarantor or any of its subsidiaries or the Group.

INSURANCE

The Group maintains insurance coverage on all of its properties under construction, third party liabilities and employer's liabilities. The insurance policies generally cover the period from the commencement of construction of the properties by the Group up to the transfer of the completed properties to its customers. Certain types of losses, however, such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters, are not covered. This practice is consistent with what the Group's management believes to be the industry practice in the PRC.

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

The members of the Board of Directors of the Guarantor as at 19 June 2015 (the "Latest Practicable Date") are as follows:

Name	Title
Executive Directors	
Mr. Hao Jian Min	Executive Director, Chairman and Chief Executive Officer
Mr. Xiao Xiao	Executive Director, Vice Chairman and Senior Vice President
Mr. Chen Yi	Executive Director and President
Mr. Luo Liang	Executive Director, Vice President and Chief Architect
Mr. Nip Yun Wing	Executive Director and Chief Financial Officer
Mr. Guo Yong	Executive Director and Vice President
Mr. Kan Hongbo	Executive Director and Vice President
Non-Executive Director	
Mr. Zheng Xuexuan	Non-Executive Director
Independent Non-Executive Directors	
Mr. Lam Kwong Siu	Independent Non-Executive Director
Dr. Wong Ying Ho, Kennedy	Independent Non-Executive Director
Dr. Fan Hsu Lai Tai, Rita	Independent Non-Executive Director
Mr. Li Man Bun, Brian David	Independent Non-Executive Director

The biographies of the Executive and Non-Executive Directors of the Guarantor as at the Latest Practicable Date are as follows:

Executive Directors and Management

Mr. Hao Jian Min
Executive Director, Chairman and Chief Executive Officer

Aged 50, holds a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined the Group in 1989. He was appointed Director of a subsidiary of the Company in 1997 and certain others subsequently. Mr. Hao was appointed Executive Director of the Company from 29 September 2005, Vice Chairman of the Company from 23 November 2006 and Chief Executive Officer of the Company from 1 June 2007. He has become Chairman of the Company and continues to serve as Chief Executive Officer of the Company with effect from 6 August 2013. Mr. Hao was a Member of the Remuneration Committee of the Company from 22 March 2007 to 11 August 2012 and was also the Chairman of such committee from 22 March 2007 to 1 February 2009. Besides acting as the Executive Director, Chairman and Chief Executive Officer of the Company, Mr. Hao is currently the Chairman and Non-Executive Director of **China Overseas Grand Oceans Group Limited, a Director of China Overseas Holdings Limited and certain of its subsidiaries, and also a Director of certain subsidiaries of the Group. He has about 28 years' experience in construction and property business.

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

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

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

Mr. Chen Yi
Executive Director and President

Aged 43, holds a Double Bachelor's degree in Engineering and Law from Tianjin University, a Master of Business Administration degree from Beijing Jiaotong University and a Master degree from the University of Cambridge. Mr. Chen is a Professor Level Senior Engineer and a Member of the Chartered Institute of Building (UK). Mr. Chen joined China State Construction Engineering Corporation in 1993 and had been the Engineer, Project Manager, Department Manager, Deputy General Manager of CSCEC Construction Company Ltd., the Managing Director, Executive Vice President of China State Construction International Company, the General Manager of the Civil Infrastructure Department of the China State Construction Engineering Corporation Limited, Executive Director and General Manager of China State Construction International Company Ltd., Executive General Manager of the Real Estate Business Department of China State Construction Engineering Corporation Limited and General Manager of China State Construction Land Company Ltd. He joined the Group and the Board of Directors as an Executive Director of the Company from 6 August 2013. Mr. Chen has been appointed the President of the Company with effect from 24 April 2014 and Director of China Overseas Holdings Limited on 23 July 2014. He has over 20 years' management experience in construction and property business.

Mr. Luo Liang
Executive Director, Vice President and Chief Architect

Aged 51, graduated from Huazhong University of Science and Technology, holder of Master degree, Professor Level Senior Architect. He joined the Group in 1999. Mr. Luo has been appointed as Executive Director of the Company from 22 March 2007 and the Vice President of the Company in August 2009. Besides acting as the Executive Director, Vice President and Chief Architect of the Company, Mr. Luo is currently a Director of certain subsidiaries of the Group. He was also a Director of China Overseas Holdings Limited and certain of its subsidiaries. Mr. Luo has about 25 years' architectural experience.

Mr. Nip Yun Wing
Fellow of the Hong Kong Institute of Certified Public Accountants
Fellow of the Association of Chartered Certified Accountants
Executive Director and Chief Financial Officer

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

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

Mr. Guo Yong
Executive Director and Vice President

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

Mr. Kan Hongbo
Executive Director and Vice President

Aged 52, graduated from Hefei University of Technology, holder of Master degree, Professor Level Senior Engineer. He joined the Group in 1995 and was appointed the Vice President of the Company in August 2012. Mr. Kan joined the Board of Directors as an Executive Director of the Company from 19 March 2013. He has about 25 years' management experience in engineering management.

Non-Executive Director

Mr. Zheng Xuexuan
Non-Executive Director

Aged 49, holds a Bachelor Degree in Industrial and Civil Architecture from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) and is a Professor Level Senior Architect. Mr. Zheng joined China State Construction Engineering Corporation in 1989 and was appointed as a Director of China Overseas Holdings Limited from 17 October 2011. Mr. Zheng was appointed Non- Executive Director of the Company from 19 October 2011. Mr. Zheng is currently the Assistant General Manager of China State Construction Engineering Corporation Limited (listed on The Shanghai Stock Exchange, code: 601668), and the General Manager of the Human Resources Department of CSCECL. These companies are direct or indirect parent company of the Company. He has more than 25 years' extensive experience in construction, corporate management and human resources management. Mr. Zheng provides guidance on the human resources management matters and bridges the communication with the parent company.

Independent Non-Executive Directors

Mr. Lam Kwong Siu
SBS
Independent Non-Executive Director

Aged 81, joined the board as an Independent Non-Executive Director of the Company on 30 September 2003 and has served the Company for about 11 years. Mr. Lam is also a Member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He was the Delegate of the Tenth National People's Congress. He is the Vice Chairman of BOC International Holdings Limited, the Honorary Chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Cooperation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the Honorary President of the Chinese Bankers Club of Hong Kong and the Director of Bank of China International Limited. Mr. Lam is also an Independent Non-Executive Director of **Fujian Holdings Limited, **Xinyi Glass Holdings Limited, **Yuzhou Properties Company Limited and **Far East Consortium International Limited. Mr. Lam has over 50 years' continuous banking and finance experience.

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

Dr. Wong Ying Ho, Kennedy
BBS, LLD, DCL, JP
Independent Non-Executive Director

Aged 52, joined the Board of Directors as an Independent Non-Executive Director of the Company on 5 January 2004 and has served the Company for about 11 years. Dr. Wong is also a Member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 2 February 2009. He is a Solicitor and China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a National Committee Member of the 12th Chinese People's Political Consultative Conference. Dr. Wong is the Chairman of **Hong Kong Resources Holdings Company Limited, a Director and the Deputy Chairman of the Audit Committee of **Goldlion Holdings Limited, and also is a Director of **Asia Cement (China) Holdings Corporation, ##Bank of Beijing Company Limited, Bohai Industrial Investment Fund Management Company Limited, **Credit China Holdings Limited, **Shanghai Industrial Urban Development Group Limited, **##Sinopec Oilfield Service Corporation and **Times Property Holdings Limited. Dr. Wong was a Director of **Great Wall Technology Company Limited, #Pacific Alliance China Land Limited, #Pacific Alliance Asia Opportunity Fund Limited, **Qin Jia Yuan Media Services Company Limited and Hong Kong Airlines Limited.

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

Dr. Fan Hsu Lai Tai, Rita
GBM, GBS, JP
Independent Non-Executive Director

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

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

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

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

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

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

Mr. Li Man Bun, Brian David
MA (Cantab), MBA, FCA, JP
Independent Non-Executive Director

Aged 40, joined the Board as an Independent Non-Executive Director of the Company on 19 March 2013 and was appointed Chairman and Member of the Audit Committee and Member of the Nomination Committee and the Remuneration Committee on the same day. Mr. Li is an Executive Director and Deputy Chief Executive of **The Bank of East Asia, Limited ("BEA"), primarily responsible for BEA's China and international businesses. Mr. Li joined BEA in 2002 and served as General Manager and Head of its Wealth Management Division from July 2004 to March 2009. Mr. Li was subsequently appointed Deputy Chief Executive in April 2009 and Executive Director in August 2014. Mr. Li is the son of Dr. Li Kwok Po, David who resigned as an Independent Non-Executive Director of the Company with effect from 19 March 2013.

Mr. Li is currently an Independent Non-Executive Director and Chairman of the Audit Committee of **Towngas China Company Limited, and an Independent Non-Executive Director of **Hopewell Highway Infrastructure Limited.

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

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

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

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

CORPORATE GOVERNANCE

General

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

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

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

The Board of Directors

Responsibilities and Division of Work

The Board is responsible for leading the Group's development and establishing the Group's strategic goals by formulating overall strategies and policies for the Guarantor to ensure the availability of financial and other resources necessary for the Group to achieve pre-set strategic goals. The Board is also responsible for supervising the work of management and reviewing the business performance of the Guarantor.

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

The Chief Executive Officer, with the support and assistance of the Board and other senior management of the Guarantor, is responsible for coordinating and managing the Group's business and operations and implementing the strategies laid down by the Board. The Group's management performs their duties in managing the actual operations of the businesses.

Mr. Hao was appointed Chairman of the Guarantor on 6 August 2013 and was then responsible for both the duties of Chairman and Chief Executive Officer.

Internal Control

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

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

The Internal Audit Department performs regular audit reviews and reports the key controls of the Group to the Board and the Audit Committee.

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

The Committees of the Board

As part of good corporate governance, an Audit Committee, a Remuneration Committee and a Nomination Committee have been established. These Committees each have four members, who are all Independent Non-Executive Directors whose independent judgments are important to the execution of the controls and corporate governance standards expected of a publicly listed company. Each Committee has its own specific delegated authorities and operates within defined terms of reference. All Committees report to the Board in relation to their decisions, findings or recommendations.

Audit Committee

The Audit Committee comprises of:

Mr. Li Man Bun, Brian David[1] *(Committee Chairman)*

Mr. Lam Kwong Siu[1]

Dr. Wong Ying Ho, Kennedy[1]

Dr. Fan Hsu Lai Tai, Rita[1]

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

1 *Independent Non-Executive Director*

Remuneration Committee

The Remuneration Committee comprises of:

Dr. Wong Ying Ho, Kennedy[1] *(Committee Chairman)*

Mr. Lam Kwong Siu[1]

Dr. Fan Hsu Lai Tai, Rita[1]

Mr. Li Man Bun, Brian David[1]

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Guarantor's remuneration policy and structure for all Directors and senior management, determining the remuneration of all Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-Executive Directors.

Nomination Committee

The Nomination Committee comprises of:

Dr. Fan Hsu Lai Tai, Rita[1] *(Committee Chairman)*

Mr. Lam Kwong Siu[1]

Dr. Wong Ying Ho, Kennedy[1]

Mr. Li Man Bun, Brian David[1]

The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on matters related to the appointment or re-appointment of directors and succession planning for directors as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-Executive Directors.

Senior Management

The members of the senior management of the Guarantor as at the Latest Practicable Date are as follows:

Name	Title
Mr. Dong Daping	Vice President
Mr. Lin Xiaofeng	Vice President
Mr. Zhang Yi	Vice President
Mr. Qu Yonghai	Vice President
Mr. Qi Dapeng	Vice President
Mr. Ouyang Guoxin	Vice President
Mrs. Sheng Ye	Assistant President
Mrs. Xu Xin	Assistant President
Mr. Chen Lie	Assistant President
Mr. Xu Wendong	Assistant President
Mr. Zhuang Yong	Assistant President
Mr. Liu Xianyong	Assistant President
Mr. Guo Guanghui	Deputy Chief Financial Officer

[1] *Independent Non-Executive Director*

The biographies of the key senior management of the Guarantor as at the Latest Practicable Date are as follows:

Mr. Dong Daping
Vice President

Aged 55, graduated from Heilongjiang University and holds a Master of Engineering Management degree from Harbin Institute of Technology, senior economist. Mr. Dong joined China State Construction Engineering Corporation in 1983, joined the Group in 2001. Mr. Dong was the Executive Director of the Company during the period from August 2009 to March 2013. He is currently the Vice President of the Company, and has about 32 years' management experience in corporate human resources and administration.

Mr. Lin Xiaofeng
Vice President

Aged 51, graduated from Peking Economics University (now known as Capital University of Economics and Business) and holds a Master of Business Administration degree from University of South Australia in Australia. Mr. Lin joined China State Construction Engineering Corporation in 1988, joined the Group in 1990. Mr. Lin was the Executive Director of the Company during the period from August 2009 to August 2012. He is currently the Vice President of the Company, and has about 27 years' management experience in corporate finance and accounting.

Mr. Zhang Yi
Vice President

Aged 48, graduated from Tianjin University of Finance & Economics and Peking Economics University (now known as Capital University of Economics and Business) and Graduate Economics Training Center at Renmin University of China, holder of a master's degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. Mr. Zhang has about 21 years' management experience in public relation and investment strategy business.

Mr. Qu Yonghai
Vice President

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

Mr. Qi Dapeng
Vice President

Aged 45, graduated from Jilin University and Harbin Institute of Technology, holder of a master's degree, senior accountant. He joined the Group in 1997, and has about 23 years' experience in finance and corporate management.

Mr. Ouyang Guoxin
Vice President

Aged 47, graduated from Chongqing Normal University and is a Master of Corporate Management from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology) and a Doctor of Economics from Peking University, senior economist. He joined the Group in 1997. Mr. Ouyang has about 24 years' experience in construction and corporate management.

Mrs. Sheng Ye
Assistant President

Aged 53, graduated from Chongqing Jianzhu University (now known as Faculty of Architecture and Urban Planning, Chongqing University), senior architect. She joined the Group in 1986. Mrs. Sheng has about 32 years' experience in architectural design and corporate management.

Mrs. Xu Xin
Assistant President

Aged 46, graduated from Beijing Institute of Civil Engineering and Architecture (now known as Beijing University of Civil Engineering and Architecture), holder of a Master of Business Administration degree from Cheung Kong Graduate School of Business, senior engineer. She joined a subsidiary of China State Construction Engineering Corporation in 1995, and joined the Group in 2014. Mrs. Xu has about 24 years' experience in construction, engineering and corporate management.

Mr. Chen Lie
Assistant President

Aged 45, graduated from Harbin Institute of Technology, senior engineer. He joined China State Construction Engineering Corporation in 1994, and joined the Group in 2014. Mr. Chen has about 21 years' experience in engineering management and corporate management.

Mr. Xu Wendong
Assistant President

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

Mr. Zhuang Yong
Assistant President

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

Mr. Liu Xianyong
Assistant President

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

Mr. Guo Guanghui
Deputy Chief Financial Officer

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

SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTEREST

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following parties (other than directors or the chief executive of the Guarantor) were the substantial shareholders of the Guarantor (as defined in the Listing Rules) and had interests in the shares and underlying shares of the Guarantor as recorded in the register maintained by the Guarantor pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"):

	Number of shares and underlying shares held			Per cent. of shares in issue(1)			
Name of shareholder	**(Long Position)**	**(Short Position)**	**(Lending Pool)**	**(Long Position)**	**(Short Position)**	**(Lending Pool)**	**Capacity**
Silver Lot Development Limited ("Silver Lot")	509,136,928	—	—	5.16	—	—	Beneficial owner
China Overseas Holdings Limited ("COHL")(2)	5,523,986,255	—	—	56.02	—	—	Beneficial owner
	509,136,928	175,690,923		5.16	1.78		Interest of controlled corporation
China State Construction Engineering Corporation Limited ("CSCECL")(3)	6,033,123,183	175,690,923	—	61.18	1.78	—	Interest of controlled corporation
China State Construction Engineering Corporation Limited ("CSCEC")(3)	6,033,123,183	175,690,923	—	61.18	1.78	—	Interest of controlled corporation
J.P. Morgan Chase & Co..	86,319,761	16,067,392	336,925,917	5.61	0.16	3.41	Beneficial owner
	130,078,906	—	—				Investment manager
							Custodian corporation/
							Custodian corporation/
	336,925,917	—	—				approved lending agent

Notes:

(1) The percentage has been adjusted based on the total number of shares of the Guarantor in issue as at the Latest Practicable Date (i.e. 9,860,581,381 shares).

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

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

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

DISCLOSURE OF INTERESTS BY DIRECTORS AND THE CHIEF EXECUTIVE

As at the Latest Practicable Date, the Directors and the Chief Executive of the Guarantor and their respective associates had the following interests in the shares and underlying shares of the Guarantor and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Guarantor pursuant to Section 352 of the SFO, or as otherwise notified to the Guarantor and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Personal Interests in Shares of the Guarantor

Name of Director	Number of shares held	Number of underlying shares comprised in Options(1)	Total	Per cent. of shares in issue(2)
				(%)
Mr. Hao Jian Min	3,353,172	—	3,353,172	0.034
Mr. Xiao Xiao	1,022,064	—	1,022,064	0.010
Mr. Guo Yong	200,000	—	200,000	0.002
Mr. Kan Hongbo	696,800	—	696,800	0.007
Mr. Li Man Bun, Brian David	5,460,000	—	5,460,000	0.055

Interests in China State Construction International Holdings Limited, an Associated Corporation of the Guarantor

Name of Director	Number of shares held	Number of underlying shares comprised in Options(3)	Total	Per cent. of shares in issue(4)
				(%)
Mr. Xiao Xiao	1,879,278	959,247	2,838,525	0.071
Mr. Luo Liang	3,531,469	—	3,531,469	0.088

Interests in China State Construction Engineering Corporation Limited, an Associated Corporation of the Guarantor

Name of Director	Number of shares held	Total	Per cent. of shares in issue(5)
			(%)
Mr. Chen Yi	320,000	320,000	0.001
Mr. Zheng Xuexuan	360,000	360,000	0.001

Interests in China Overseas Grand Oceans Group Limited, an Associated Corporation of the Guarantor

Name of Director	Number of shares held	Total	Per cent. of shares in issue(6)
			(%)
Mr. Luo Liang	70,000	70,000	0.003

Notes:

(1) On 3 February 2009, due to the open offer, the exercise price of the outstanding options granted under the Company's Share Option Scheme has been adjusted from HK$1.13 per Share to HK$1.118 per Share, and the number of Shares to be issued upon full exercise of the outstanding options has been adjusted from 10,488,000 Shares to 10,607,657 Shares.

(2) The percentage has been adjusted based on the total number of shares of the Guarantor in issue as at the Latest Practicable Date (i.e. 9,860,581,381 shares).

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

(4) The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at the Latest Practicable Date (i.e. 4,012,417,632 shares).

(5) The percentage has been adjusted, where applicable, based on the total number of shares of CSCECL in issue as at the Latest Practicable Date (i.e. 30,000,000,000 shares).

(6) The percentage has been adjusted based on the total number of shares of Grand Oceans in issue as at the Latest Practicable Date (i.e. 2,282,239,894 shares).

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 Guarantor or their respective associates in the shares and underlying shares of the Guarantor or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Guarantor and the Hong Kong Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Guarantor (including their spouses and children under the age of 18) had, as at the Latest Practicable Date, any interest in, or had been granted any right to subscribe for the shares and options of the Guarantor and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

CHINA STATE CONSTRUCTION ENGINEERING CORPORATION

CSCECL, a 56.15 per cent.-owned subsidiary of CSCEC (as at 31 December 2014), wholly owns COHL, which holds approximately 53.18 per cent. of the issued share capital of the Guarantor as at 31 December 2014. Pursuant to the Asset Acquisition and Share Subscription, CSCECL's interest in the Guarantor through COHL and together with COHL's wholly-owned subsidiary Silver Lot Development Limited, increased to 61.18 per cent. The Guarantor therefore is ultimately controlled by CSCEC, a state-owned construction group. CSCEC was established in 1982 and is the parent company of one of the largest construction groups in the PRC and one of the world's largest construction contractors, operating in major provinces and cities in the PRC. It controls construction, property development and related business operations outside the PRC and Hong Kong, including in Africa, the Middle East, Southeast Asia and the United States. CSCEC is one of the 112 core state-owned enterprises under the direct supervision of SASAC of the PRC government. CSCEC's operating subsidiary, CSCECL, which was established in 2007, was listed on the Shanghai Stock Exchange in 2009.

In addition to the Guarantor's listing on the Hong Kong Stock Exchange, CSCECL, which was established in 2007, was listed on the Shanghai Stock Exchange in 2009. Other shareholders of CSCECL, besides CSCEC, include the National Council for Social Security Fund, Baosteel Group Corp., Ltd., China National Petroleum Corporation and Sinochem Corporation.

COHL began operating in Hong Kong in June 1979. Its principal business activities are construction and contracting property development and infrastructure investment, with business operations in Mainland China, Hong Kong and Macau as well as developing cities in the United Arab Emirates and India.

While the Guarantor enjoys a high degree of autonomy in its daily operations, CSCEC and CSCECL (and indirectly, the PRC government) together play a strategic and important role in the Guarantor's overall corporate planning, including new acquisitions, the appointment and/or replacement of the Guarantor's Board of Directors and senior management, and the Guarantor's capital expenditures and budgeting. In addition, Hao Jian Min and Xiao Xiao, Directors of the Guarantor, also hold directorships in the Guarantor's immediate holding company, COHL, and COHL's subsidiaries other than the Guarantor or its subsidiaries.

Although the Guarantor's relationship with CSCEC and CSCECL may provide it with significant business advantages, the relationship results in various related party, or "connected", transactions. Each of CSCEC and CSCECL is a connected person of the Guarantor for the purposes of the Listing Rules of the Hong Kong Stock Exchange (for the purposes of the Guarantor) and, accordingly, any transactions entered into between the Guarantor or its subsidiaries and CSCEC or its subsidiaries or associates (including CSCECL) are connected transactions which, unless one of the exemptions is available or relevant waivers are applied for and granted, will be subject to the relevant requirements of Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange. These requirements include the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts.

The Guarantor currently engages in financial and commercial transactions with CSCEC, CSCECL and their respective subsidiaries and associates. All such transactions are conducted on an arm's length and commercial basis. See "The Group — Recent Developments — Asset Acquisition" and note 47 to the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2014, included elsewhere in this Offering Circular.

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us, the Joint Lead Managers, the Trustee, the Agents or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

THE ECONOMY OF THE PRC

For over 25 years, the PRC government has introduced reforms that have transformed the PRC economy from a centrally planned system into a more liberalised market economy. The significant economic development that has resulted from such reforms has been accelerated by China's accession to the World Trade Organisation in 2001. China has experienced an average annual real GDP growth rate of approximately 12.3 per cent. from 2008 to 2014.

The table below sets forth selected PRC economic statistics for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2008–2014 CAGR (%)
Nominal GDP (RMB billion, except CAGR)	31,675	34,563	40,890	48,412	53,412	58,802	63,464	12.3
Real GDP growth (per cent.)	9.6	9.2	10.4	9.2	7.8	7.7	7.4	N/A
GDP per capita (RMB, except CAGR)	23,912	25,963	30,567	36,018	39,544	43,320	N/A	N/A
CPI growth (per cent.)	5.9	(0.7)	3.3	5.4	2.6	2.6	2.0	N/A
Per capita disposable income of urban residents (RMB, except CAGR)	15,781	17,175	19,109	21,810	24,565	26,467	28,844	10.6
Retail sales of consumer goods (RMB billion, except CAGR)	11,483	13,268	15,700	18,392	21,031	23,781	26,239	14.8
Foreign direct investment (U.S.$ billion, except CAGR)	108	94	115	124	121	118	120	1.7
Fixed asset investment (RMB billion, except CAGR)	17,283	22,460	25,168	31,149	37,469	44,629	51,276	19.9

Source: 2014 CEIC Global Database, National Bureau of Statistics of China

Notes:

(1) N/A represents not applicable.

(2) CAGR refers to compound annual growth rate.

Housing reforms, together with the economic growth of China and increasing urbanisation rate, are key factors in creating a real estate market in China and in sustaining the growth of China's real estate market. According to the National Bureau of Statistics of China, China's urbanisation rate, i.e. the proportion of the population residing in urban areas, rose from approximately 29 per cent. in 1995 to approximately 55 per cent. in 2014. Increases in the urban population of China will likely result in increases in demand for residential properties.

The table below shows China's urbanisation rate for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014
Total population (millions)	1,328	1,335	1,341	1,347	1,354	1,361	1,368
Urban population (millions)	624	645	670	691	712	731	749
Urbanisation rate (per cent.)	47.0	48.3	49.9	51.3	52.6	53.7	54.8

Source: 2014 CEIC Global Database, National Bureau of Statistics of China

PRC PROPERTY MARKET

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system.

In 1988, the NPC amended the national constitution to permit the transfer of state-owned land use rights and, in 1992, sales commenced in major cities of formerly public housing. Two years later, in 1994, the PRC government further implemented the reform and established an employer/ employee-funded housing fund, and issued a regulation regarding pre-sale of commodity housing in cities. In 1995, the PRC government issued regulations regarding the transfer of real estate, establishing a regulatory framework for real estate sales and subsequently abolished the state-allocated housing policy in 1998. In 1999, the PRC government extended the maximum mortgage term to 30 years and formalised procedures for the sale of real estate in the secondary market.

The PRC government issued regulations to standardise the quality of construction projects in 2000, establishing a framework for administering construction quality. In 2002, the PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China. In 2003, the PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.

Through 2013, in order to prevent the overheating of the PRC economy and to achieve a balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. The PRC government also took measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government introduced policies and measures to restrict such increases.

On 21 January 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land (國有土地上房屋徵收與補償條例) (the "Expropriation and Compensation Regulation"), which replaced the Administration Rules of Demolition and Removal of Housing in Urban Areas. The Expropriation and Compensation Regulation provides that, among other things: (i) buildings can be expropriated under certain circumstances for public interests, and only governmental authorities can be in charge of resettlement activities; real estate developers are prohibited from being involved in demolition and relocation procedures; (ii) compensation shall be paid before the resettlement; (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation; and (iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation work. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property can apply to the real estate appraisal institution for re-appraisal.

In January 2011, the State Council issued the Notice concerning Further Strengthening the Macroeconomic Control of Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), which provided that the minimum down payment was to be raised to 60 per cent. for purchases of a second residential property with the minimum lending interest rate at least 1.1 times the benchmark rate.

The State Council has approved on a trial basis the launch of a property tax scheme in selected cities. On 27 January 2011, each of the local governments of Shanghai and Chongqing issued its respective measures for implementing its pilot property tax schemes.

On 16 March 2011, the National Development and Reform Commission promulgated the Regulation on Price of Commodity Property (商品房銷售明碼標價規定), which became effective on 1 May 2011. According to the regulation, property developers are required to make public the sale price of each apartment of commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to state factors that would affect housing prices and relative charges before the property transaction, such as a commission fee and property management fee. No additional charge beyond what is stated in the price tag or made public by the property developers is permitted.

On 9 June 2011, the National Development and Reform Commission issued the Notice of Use of Debt Financing Support Construction of Affordable Housing Related Issues, Finance Office of Development and Reform Commission (關於利用債券融資支持保障性住房建設有關問題的通知) (發改辦財金 (2011) 1388號). Under this notice, in order to reach the goal of building 36 million units of affordable housing under the Twelfth Five-Year Plan, eligible local governments' investment and financing platforms and other enterprises are encouraged to issue corporate notes to finance construction of affordable housing projects. Local governments' investment and financing platforms and other enterprises seeking funding to engage in the construction of public rental housing, low-rent housing, price-limited housing, shanty town transformations and other affordable housing projects which meet the requirements and related conditions specified by the National Development and Reform Commission can apply for financing through the issuance of corporate notes. The National Development and Reform Commission requires that funds raised from corporate notes issued by local governments' investment and financing platforms be prioritised for use in the construction of local affordable housing.

On 12 July 2011, Premier Wen Jiabao and the State Council stressed that the macro-control policy on the PRC property market would continue to be strengthened. As at 30 June 2011, the construction of over 5 million units of affordable housing had been launched which exceeded 50 per cent. of the target number of units for 2011. Over 4 million units are expected to be completed by end of 2011. The State Council listed the following macro-control policy measures:

- macro-control policies on property market and housing security will be strictly implemented by local government authorities;

- enhance financing support from local government authorities for launching construction of 10 million units of affordable housing before November 2011;

- implement differential housing loan policies, tax policies and property purchase restriction policies in order to curb property purchases for speculation purposes and guide housing demand, including implementing property purchase restriction policies in second tier and third tier cities with excessive property price growth; and

- implement a residential land supply plan in order to secure land for affordable housing development and accelerate land allocation as general commodity property.

In 2011, PBOC raised the Renminbi deposit reserve ratio by 0.5 per cent. six times, on 20 January, 24 February, 25 March, 21 April, 18 May and 20 June 2011, respectively. As a result, the deposit reserve ratio increased from 18.5 per cent. as at 20 January 2011 to 21.5 per cent. as at 20 June 2011. On 5 December 2011, however, the Renminbi deposit reserve ratio was adjusted downward by 0.5 per cent. to 21.0 per cent., which was the first time in almost three years since 25 December 2008 that ratio had been adjusted downward. Interest rates on deposits and borrowings were each raised by 0.25 per cent. on three occasions in 2011, on 9 February, 6 April and 7 July 2011, respectively. On 7 July 2011, the one-year interest rates on deposits and borrowings were increased from 3.25 per cent. to 3.5 per cent. and from 6.31 per cent. to 6.56 per cent., respectively, as the PRC government sought to manage inflationary expectations and promote a gradual normalisation of monetary conditions. However, the amount of bank loans and other financing instruments granted to participants in the PRC real estate industry declined in 2011 from their previous level in 2010.

In 2012, the PRC government continued to monitor housing market activities and repeatedly stated that property regulating measures will be kept in place to prevent a rebound of housing prices.

On 25 February 2012, the Ministry of Land and Resources promulgated the Notice on the Key Tasks for Accomplishing Effective Real Estate Land Administration and Control in 2012(國土資源部關於做好2012年房地產用地管理和調控重點工作的通知)which stipulates the following:

- Real estate control policy shall be strictly implemented and key tasks clarified;
- Real estate land supply shall be properly managed to promote social welfare;
- Land supply for social security housing projects shall be guaranteed;
- Unlawful acts relating to land use shall be strictly punished;
- Development and construction shall be vigorously encouraged; and
- Supervisory analysis and media coverage shall be strengthened to provide positive guidance towards the market.

In May 2012, the Ministry of Land and Resources issued the Circular on the Distribution of the Catalogue for Restricted Land Use Projects (2012 Version) and the Catalogue for Prohibited Land Use Projects (2012 Version), as a supplement to its 2006 version. The 2012 versions set forth maximum quotas for land that may be granted by local governments for commodity housing development as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

On 1 July 2012, the revised Measures for the Disposal of Idle Land (the "Measures") promulgated by Ministry of Land and Resources became effective. According to the Measures, land that has been idle for one full year will be subject to an idle land penalty of 20 per cent. of the grant or allocation price of the land, to be imposed by authorities at the municipal or county level. In the event that land has been idle for more than two years, the land and resources authorities may reclaim the land without compensation to the grant holder. The Measures will increase the responsibilities of municipal and county level governments and improve procedures for identifying and making productive use of idle land.

On 19 July 2012, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued the Urgent Notice to Further Tighten Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market to strengthen the enforcement of macroeconomic policy in the real property market. In accordance with the notice, local governments must strictly implement the macroeconomic control policies for the real property market and must secure the supply of residential land, especially land used for development of government-subsidized residential units. Residential construction projects must commence within one year of the delivery date of the land title, which is stipulated in the land allocation decision or land grant contract, and must be completed within three years of the date of commencement of the project.

On 6 September 2012, the Ministry of Land and Resources promulgated the Notice on Strictly Implementing Land Use Standard and Vigorously Promoting Economical Intensive Land Use, which stipulated that land use standards shall be strictly implemented and continuously improved in accordance with the principle of economical intensive land use.

On 5 November 2012, the Ministry of Land and Resources, the Ministry of Finance, PBOC and CBRC jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration in order to strengthen land bank institutions administration, determine the reasonable scale and structure of land bank, strengthen the administration of land pre-development, reservation and protection, and regulate the financing to land reservation and the use of land reservation funds.

In December 2012, the Draft Amendment of the Land Administration Law of the PRC was approved at an executive meeting of the State Council. The draft amendment removed the total compensation ceiling for rural collective land expropriation, which was previously set at not more than 30 times of the average annual output of the land for three years before the expropriation.

On 20 February 2013, the Standing Committee of the State Council released five new policies aimed at regulating the real estate market, including new initiatives aimed at controlling speculative property investments, increasing housing and land supply, and stepping up construction of affordable housing.

On 26 February 2013, the State Council issued the Notice to Further Enhance the Regulation and Control of the Real Estate Market, which included an income tax levy on homeowners of as high as 20 per cent. on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for home buyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside.

On 29 September, 2014, the PBOC and CBRC issued the Circular of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Financial Services for Housing Consumption (中國人民銀行中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知) which specified that for a family who buys on loan its first ordinary residential property for self-use, the minimum percentage of down payment is 30 per cent., and the lower limit of loan interest rate is 70 per cent. of the benchmark rate, to be decided by banking financial institutions in light of risk conditions; for a family who has paid up the loan of its first residential property and applies again to buy on loan an ordinary residential property as an upgrade to living conditions, the loan policies for first residential property shall apply. The notice also specified that in cities where the measures of "restrictions on house buying" are lifted or not imposed, for a family who owns two or more residential properties and has paid up loans for them, and applies to buy another residential property on loan, banking financial institutions shall decide on the percentage of down payment and interest rate by prudently considering the borrower's solvency and credit status. The banking financial institutions may, according to local plans on urbanization, grant housing loans to non-local residents who meet policy requirements.

On 30 March 2015, the People's Bank of China, the Ministry of Housing and Urban-rural Development and the China Banking Regulatory Commission jointly issued the Notice on Issues concerning Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知), for a resident who owns one house of which relevant housing loan has not been settled, and applies for a commercial individual housing loan for purchasing an ordinary home for the purpose of improving its living conditions, the minimum down payment ratio is adjusted to not less than 40 per cent.; for a worker who pays housing provident fund to purchase the first ordinary with housing provident fund commission loan, the minimum down payment ratio is 20 per cent.; and for a worker who owns one home of which relevant housing loan has been settled and applies for a housing provident fund commission loan for purchasing an ordinary home for the purpose of improving its living conditions, the minimum down payment ratio is 30%.

On 30 March 2015, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業税政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase of such property and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the individual owner's purchase of such property. This notice became effective on 31 March 2015.

The PBOC increased the benchmark one-year lending rate nine times between October 2004 and December 2007, from 5.58 per cent. to 7.47 per cent.. In 2008, the PBOC reduced the benchmark one-year lending rate five times, from 7.47 per cent. to 5.3 per cent.. Since late 2009, the PRC government introduced a new round of austerity measures to control the growth of the economy, including increasing the benchmark one-year lending rate five times between October 2010 and July 2011, to 6.56 per cent.. The PBOC subsequently lowered the benchmark one-year lending rate in June and July 2012, and on 21 November 2014 and 1 March 2015, resulting in a new benchmark one-year lending rate of 5.35 per cent., with deposit rate ceiling changing from 1.1 times to 1.3 times benchmark rates.

Since 2012, the deposit reserve ratio has been cut twice by 0.5 per cent. on 24 January and 18 May 2012 respectively, and on 5 February and 20 April 2015, the deposit reserve ratio has been respectively cut by 0.5 per cent. and 1 per cent., to a current deposit reserve ratio of 18.5 per cent..

For additional information on housing reforms and recent regulatory developments with respect to the property industry of China, see "PRC Regulation".

REAL PROPERTY SALES

Demand for real estate in China has seen a steady increase over the years. According to the National Bureau of Statistics of China, the total sales revenue of commodity properties in China increased from approximately RMB2,507 billion in 2008 to approximately RMB7,629 billion in 2014 at a CAGR of 20.4 per cent. During the same period, the total GFA of commodity sold in China increased from approximately 660 million square metres in 2008 to approximately 1,206 million square metres in 2014 at a CAGR of 10.6 per cent.

The average price of commodity properties sold in China increased from RMB3,800 per square metre in 2008 to RMB6,324 per square metre in 2013. The average price of commodity properties sold was calculated by dividing total sales proceeds by the aggregate GFA sold.

The table below sets out selected statistics relating to the PRC property market for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2008-2014 CAGR
								(%)
Real estate investment (RMB billion, except CAGR)	3,120	3,624	4,826	6,180	7,180	8,601	9,504	20.4
Investment in real estate development in residential properties (RMB billion, except CAGR)	2,244	2,561	3,403	4,432	4,937	5,895	6,435	19.2
Total GFA of commodity properties sold (million sq.m., except CAGR)	660	948	1,048	1,094	1,113	1,306	1,206	10.6
Total GFA of residential properties sold (million sq.m., except (CAGR)	593	862	934	965	985	1,157	1,052	10.0
Average price of commodity properties (RMB per sq.m., except CAGR)	3,800	4,681	5,032	5,357	5,791	6,237	6,324	8.9
Average price of residential properties (RMB per sq.m., except CAGR)	3,576	4,459	4,725	4,993	5,430	5,850	5,932	8.8
Total sales revenue of commodity properties (RMB billion, except CAGR)	2,507	4,436	5,272	5,859	6,446	8,143	7,629	20.4
Total sales revenue of residential properties (RMB billion, except CAGR)	2,120	3,843	4,412	4,820	5,347	6,769	6,240	19.7

Source: 2014 CEIC Global Database, National Bureau of Statistics of China

PRC REGULATION

The following discussion summarises the principal laws, regulations, policies and administrative directives to which the Group is subject.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the state administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas at the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed in June 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic and administrative divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next highest level. Second judgments or orders given at the same level and at the next highest level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991 and recently amended in August 2012 sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

REAL ESTATE REGULATION

Establishment of a Real Estate Development Enterprise

According to the PRC Law on Administration of Urban Real Estate, promulgated by the National People's Congress, effective in January 1995, amended in August 2007, a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate, promulgated by the State Council in July 1998, as amended in January 2011, an enterprise that is to engage in development of real estate must satisfy the following requirements, in addition to other enterprise establishment conditions provided in relevant laws and administrative regulations:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalogue of Guidance on Industries for Foreign Investment promulgated by the Ministry of Commerce and the National Development and Reform Commission on 10 March 2015 and took effect on 10 April 2015:

- the construction of villas and golf courses falls within the category of industries in which foreign investment is prohibited;

- the construction and operation of large theme parks fall within the category of industries in which foreign investment is subject to restrictions; and

- other real estate development falls within the category of industries in which foreign investment is permitted.

A foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment Projects of Certain Industries, issued by the State Council in April 2004, the portion of capital-account funding for real estate projects (excluding affordable housing projects) has been increased from 20 per cent. or above to 35 per cent. or above. However, pursuant to the Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets issued by the State Council in May 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20 per cent., while that for other real estate projects has been decreased to 30 per cent.

In July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, PBOC, SAIC and SAFE jointly issued an Opinion on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market, which provides, among other things, that an overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a foreign-invested real estate enterprise ("FIREE") in accordance with applicable PRC laws and may only conduct operations within the authorised business scope. The joint opinion attempts to impose additional restrictions on the establishment and operation of FIREE by regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of approval certificates and business licenses to one year, restricting the ability to transfer equity interests of a FIREE or its projects and prohibiting the borrowing of money from domestic and foreign lenders where its registered capital is not paid up or the land use rights not obtained. In addition, the joint opinion also limits the ability of foreign individuals to purchase commodity residential properties in China.

In May 2007, the Ministry of Commerce and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector ("Circular 50"). Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with the Ministry of Commerce for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In connection with the filing requirement, the Ministry of Commerce issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector in June 2008 and the Notice on Strengthening the Administration of the Examination and Approval and Record Filling of Foreign Investment in the Real Estate Sector in November 2010 to authorise the competent the Ministry of Commerce at the provincial level to verify and check the filing documents.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (the "Provisions on Administration of Qualifications"), promulgated by the Ministry of Construction in March 2000 and amended by the Ministry of Housing and Urban-Rural Development on 4 May 2015, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes, including:

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.

- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square metres, subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issue and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

Development of a Real Estate Project

According to the Administration Measures for the Verification and Approval and the Record Filing of Foreign investment Projects (外商投資項目核准和備案管理辦法) promulgated by the National Development and Reform Commission on 17 May 2014, real estate projects falling into the restricted category and other restricted projects with total investment (including capital increase) less than U.S.$50 million, as listed in the Catalogue for the Guidance of Foreign Investment Industries, shall be approved by governmental authority at provincial level. According to the Notice of the National Development and Reform Commission on Delegating Powers on Approval of Foreign Investment Projects to Authorities at Lower Levels, approval of the National Development and Reform Commission or other bodies of the State Council is required for foreign investment projects with total investment of U.S.$300 million or more within the category of encouraged or permitted foreign investments and those with total investment of U.S.$50 million or more within the category of restricted foreign investments. Other foreign investments in China will require only local approval. In addition, the projects subject to restrictions should be approved by the development and reform authority at provincial level. In July 2008, the National Development and Reform Commission issued the Notice on Further Reinforcing and Regulating the Administration of Foreign Investment Projects, which further requires that the capital-increase and reinvest projects of the foreign-invested enterprises shall get the approval from the National Development and Reform Commission or its local counterpart.

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of state-owned Urban Land, promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Sites, promulgated by the Ministry of Land and Resources in March 1999, as amended in November 2010, and the Measures for Administration of Preliminary Examination of Construction Project Sites, promulgated by the Ministry of Land and Resources in July 2001, as amended in November 2008. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity or the developer.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban state-owned Land promulgated by the Ministry of Construction in December 1992 and amended in January 2011, the grantee under a land grant contract (i.e. a real estate developer) must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organise the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on

Urban and Rural Planning, promulgated by the National People's Congress in October 2007 and revised in April 2015 and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Expropriation of Buildings on State-owned Land and Compensation, promulgated by the State Council in January 2011, if demolition of existing structures and removal of existing residents on the construction site need to be conducted before commencement of construction of the real estate project contemplated, the developer may apply to the local municipal, district or county level government in the place where the real estate is located for a permit for demolition and removal. Upon approval, the local government will issue a demolition and removal permit and post a demolition and removal notice to inform the inhabitants of the area subject to demolition. The designated demolition and removal party, either a local government entity or a developer, must implement the demolition and removal within the area and period specified in the demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it may, within 15 days prior to the expiration of the permit, apply to the original approval department in charge of demolition and removal for an extension.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Administrative Measures for Construction Permits of Construction Projects (建設工程施工許可管理辦法), promulgated by the Ministry of Housing and Urban-Rural Development in June 2014. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects, issued by the General Office of the State Council on 17 November 2007, before commencement of construction, all kinds of projects shall fulfil certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plans in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permits or reports.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On 30 January 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings which reduces the energy consumption of civil buildings and improves the efficiency of energy utilisation. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result neither in commencement of construction nor acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. After completion of construction works for a project, the real estate developer must organise an acceptance examination by relevant government authorities and experts according to the Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, and file with the construction authority at or above the county level where the project is located within 15 days after the construction is qualified for the acceptance examination according to the Provisional Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure, promulgated by the Ministry of Construction in April 2000, as amended in October 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each phase upon completion.

In China, there are two registers of property interests. Land registration is effected by the issue of land use right certificates by the relevant authorities to the land users. Land use rights may be assigned, mortgaged or leased.

The building registration is effected by the issue of property ownership certificates to the property owners. Property or building ownership rights are only related to the building or improvements erected on the land. Under the PRC laws and regulations, all land use rights and property ownership rights that are duly registered are protected by law. Most cities in China maintain separate registries for the registration. However, Shenzhen, Shanghai, Guangzhou and some other major cities have a consolidated registry for both land use rights and the property ownership interests for the building erected on the relevant land.

Land for Property Development

In April 1988, the National People's Congress amended the PRC Constitution to permit the transfer of land use rights in accordance with the laws and regulations. In December 1988, the National People's Congress amended the Land Administration Law to permit the transfer of land use rights in accordance with the laws and regulations.

On 3 January 2008, the State Council issued the Notice on Promoting Economisation of Land Use, which emphasized the strict implementation of the policy for handling idle land. According to this notice, land which has been idle for two years and which should be repossessed pursuant to the laws shall be repossessed by the government at no consideration for reuse; for land which does not meet all the legal requirements for repossession, their use shall be altered, or the idle land shall be exchanged for another piece of land of equal value, or it shall be temporarily used for alternative purposes or be treated as government land reserve temporarily pending further consideration on its use. For land which has been idle for one full year but less than two years, an idle land fee shall be charged at 20 per cent. of the value of the land grant or allocation premium.

Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation. Under the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-Sale promulgated by the Ministry of Land and Resources, promulgated in May 2002 and amended in September 2007, land for commercial use, tourism, entertainment and commodity housing development must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction. The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement.

Under the Regulation on Grant of State-owned Land Use Rights by Agreements, promulgated by the Ministry of Land and Resources on 11 June 2003, except for the project that must be granted through tender, auction and listing as required by the relevant laws and regulations, land use right may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the benchmark land price.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (Guo Ban Fa Ming Dian (2004) No. 20), issued by the General Office of the State Council on 29 April 2004, restated the principle of strict administration of the approval process for the construction land and protection of the basic farmlands.

The Notice on Issues Relating to Strengthening the Land Control (Guo Fa (2006) No. 31), promulgated by the State Council on 31 August 2006, sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

In March 2007, the National People's Congress adopted the PRC Property Rights Law which became effective on 1 October 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise proscribed by any law, the owner of construction land use rights has the right to transfer, exchange and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-sale (Order of the Ministry of Land and Resources No. 39) to require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In October 2007, the Standing Committee of National People's Congress promulgated the PRC City and Countryside Planning Law, pursuant to which a construction land planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

In November 2007, the Ministry of Land and Resources, the Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Bank (Guo Tu Zi Fa (2007) No. 277), pursuant to which local authorities should decide the scale of land bank reasonably in accordance with the macro-control regulations of the land market. Those idle, unoccupied and low-efficient state-owned construction land inventory shall be used as land bank in priority.

In December 2007, the Ministry of Land and Resources promulgated the Rules on Land Registration (Order of the Ministry of Land and Resources No. 40), which further stresses payment in full of the land premium prior to the application for the registration of state-owned construction land use rights.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (Cai Zong (2009) No. 74). The notice raises the minimum down payment for land premiums to 50 per cent. and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets(關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties that have less than 70 per cent. of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2011; (ii) land and resource authorities in local cities and counties will report to the Ministry of Land and Resources and provincial land and resource authorities, respectively, regarding land with a premium rate of more than 50 per cent.; and (iii) land designated for affordable housing which is used for property development against relevant policies or which involve illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, the notice stipulated that changing the plot ratio of land without approval is strictly prohibited.

In May 2012, the Ministry of Land and Resources and the National Development and Reform Commission issued a Circular on the Distribution of the Catalogue for Restricted Land Use Projects (2012 Version) and the Catalogue for Prohibited Land Use Projects (2012 Version). In this circular, the Ministry of Land and Resources and the National Development and Reform Commission set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

On 22 May 2012, the Ministry of Land and Resources revised the Measures on Disposal of Idle Land(《閒置土地處置辦法》), which were originally published in April 1999. This amendment became effective on 1 July 2012 and includes the following significant changes or new provisions:

- Emphasizing the key purposes of regulating idle land. The current version of Measures on Disposal of Idle Land re-emphasize the importance of suppressing intentional holdings of land for the purpose of resale. For example, it provides that if the real estate developer intentionally delays the commencement of construction and development for the purpose of holdings the land for resale with bad faith, and before such case is reviewed and disposed of by the government, the government should neither accept new applications for land use by the same holder of land use rights, nor register the status of transfer, lease, mortgage or information change of the land considered to be idle until sanctions have been imposed by relevant agencies;

- Readdressing the disposal method of idle land. Consistent with the April 1999 version, the amended Measures on Disposal of Idle Land once again addressed the method of disposal of idle land. If the real estate developer fails to commence the construction and development of the land for one year, the government should issue the Notice on Imposition of Land Idleness Penalty Fees to the holder of land use right. The penalty fees should be 20 per cent. of the price that the holder paid for obtaining the land use right. If the holder of land use rights failed to commence the construction and development of the land for two years, the government should issue the Notice on Decision of Revocation of Land Use Right to the holder, thereby revoking the holder's right to use land for free. However, compared with the 1999 version, the amended Measures on Disposal of Idle Land specify the procedure for determining and disposing of idle land, including:

    1. Once relevant governmental authority suspects that a tract of land has become idle, it should initiate investigation within 30 days therefrom and issue a "notice on investigation of idle land" to the holder of land use right. The holder of land use right should submit explanatory materials about the development condition and reason for land idleness to the government within 30 days upon the receipt of such notice;

    2. After investigation, if the government decides that the investigated land has become idle, it should issue a "notice on confirmation of idle land" to the investigated holder of land use rights, which will specify the facts and grounds for determining that the land concerned has become idle. Relevant information of the idle land will also be published on the governmental authority's official website after issuance of such notice;

    3. If the idleness of land was caused by the real estate developer rather than the government, the governmental authority is entitled to impose penalty fees for the idleness or even revoke the land use right. However, before such penalty decisions are made, the government should notify the holder of the land use rights that the holder has the right to request a hearing; and

    4. Once the government decides to impose penalty fees for land idleness, it should issue a "notice on imposition of land idleness penalty fees" to the holder of the land use rights, and the owner should pay the penalty fees within 30 days upon the receipt of the notice. If the government decides to revoke the land use right, the government should issue a "notice on decision of revocation of land use rights" to the holder, and the holder should cancel the registration of its land use rights from government's record within 30 days upon its receipt of such notice; and

- Specifying the circumstances where the delay of commencement of construction and development was caused by the government. If the delay of commencement of construction and development was caused by the government, the real estate developer will not be directly subject to penalties for delays caused by the developer itself. The amended Measures on Disposal of Idle Land specify the following circumstances where the delay of commencement of construction and development is considered to be caused by the government:

  1. Where the land fails to be delivered to the holder of the land use rights in accordance with the time limit and conditions as prescribed in the land transfer contract or the land allocation decision, with the result that the conditions for commencing the construction and development of the project are not met;

  2. Where relevant land-use planning is modified, with the result that the owner of the land use rights cannot commence construction and development;

  3. Where the land-use planning and construction conditions need to be modified in light of new policies issued by the government;

  4. Where the construction and development of the land cannot be commenced due to complaints lodged by the general public in connection with the land;

  5. Where the construction and development of the land cannot be commenced due to military control or protection of historic and cultural relics; and

  6. Where other acts of any government or governmental agency cause the delay.

Sale of Commodity Houses

Under the Measures for Administration of Sale of Commodity Houses (Order of the Ministry of Construction No. 88), promulgated by the Ministry of Construction in April 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;

- a construction project planning permit and a construction commencement permit have been properly obtained;

- funds invested in the development of the commodity buildings for pre-sale represent 25 per cent. or more of the total investment in the project and the construction progress as well as the completion and delivery dates have been properly ascertained; and

- a pre-sale permit has been obtained.

The pre-sale proceeds of commodity buildings must be used to develop the relevant project so presold. Commodity buildings may be put to post-completion sale and delivery after they have passed the acceptance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit a real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

On 16 March 2011, the National Development and Reform Commission promulgated the Regulation on Price of Commodity Property (商品房銷售明碼標價規定), which became effective on 1 May 2011. According to the regulation, property developers are required to make public the sale price of each apartment of commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to state factors that would affect housing prices and relative charges before the property transaction, such as a commission fee and property management fee. No additional charge beyond what is stated in the price tag or made public by the property developers is permitted.

Transfer of Real Estate

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate, promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, gift or otherwise legally transfer the property to another natural person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to a transfer must enter into a written real estate transfer contract and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights are originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and

- in the case of a project in which buildings are being developed, development representing more than 25 per cent. of the total investment has been completed; or

- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use right may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Assignment of land for commercial use, tourism, entertainment and commodity housing development must be conducted through public tender, auction or listing-for-sale under the current PRC laws and regulations.

Leases of Buildings

Under the PRC laws and the Measures for Administration of Leases of Commodity House, promulgated by the Ministry of Housing and Urban-rural Construction in December 2010 that became effective in February 2011, parties to a lease of a building must enter into a lease contract in writing. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

Mortgages of Real Estate

Under the PRC Urban Real Estate Administration Law, promulgated by the Standing Committee of the National People's Congress in July 1994, as amended in August 2007, the PRC Security Law, promulgated by the National People's Congress in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate, promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been legally obtained, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

The PRC Property Rights Law promulgated in March 2007 that became effective in October 2007 further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

According to the PBOC Notice on Regulating Home Financing Business promulgated in June 2001 and the Circular on Further Strengthening the Management of Loans for Property Business issued in June 2003, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial property mortgage loans:

- Property development loans from banks may only be granted to real estate developers with development qualification and credit ratings in the higher categories. Such loans may be offered to residential projects with good market potential. While the borrowing enterprise's internal capital may not be less than 30 per cent. of the total investment required for the project, the project must have obtained the land use rights certificate, construction land planning permit, construction project planning permit and construction commencement permit.

- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the collateral may never exceed 80 per cent. Where an individual applies for a home purchase loan to buy a pre-sale property, the property must have achieved the stage of "topping-out of the main structure completed" for multi-storey buildings and "two-thirds of the total investment completed" for high-rise apartment buildings.

- In respect of the grant of individual commercial use building mortgage loans, the mortgage ratio for commercial use building mortgage loans may not exceed 60 per cent. with a maximum loan period of 10 years and the subject commercial use building already completed.

The down payment requirement was subsequently increased to 30 per cent. of the property price for residential units with a unit floor area of 90 square metres or more in May 2006. Investors may refer to " — Measures on Stabilising Housing Price" below. The initial capital outlay requirement was subsequently increased to 35 per cent. by China Banking Regulatory Commission (the "CBRC"), in August 2004 pursuant to its Guidance on Risk Management of Property Loans Granted by Commercial Banks.

In a Circular on Facilitating the Continuously Healthy Development of Property Market, issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. Besides, the government also staged a series of measures on the lending for residential development, including, among others, improving the loan evaluation and lending process, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans.

In September 2007, PBOC and CBRC promulgated a Circular on Strengthening the Management of Commercial Real-estate Credit Loans with a supplement issued in December 2007.

The circular aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures include:

- for a first-time home owner, increasing the minimum amount of down payment to 30 per cent. of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square metres or more and the purchaser is buying the property as his/her own residence;

- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40 per cent. of the purchase price of the underlying property and (ii) the minimum mortgage loan;

- interest rate to 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any member of the family that buys another residential unit with bank loans will be regarded as a second-time home buyer;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50 per cent. of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate and (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are given certain flexibility based on its risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45 per cent. of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties.

In addition, commercial banks are also banned from providing loans to the projects that have less than 35 per cent. of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction project planning permits or construction commencement permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes, issued by PBOC on 22 October 2008, the minimum amount of down payment has been adjusted to 20 per cent. since 27 October 2008.

In May 2009, the State Council issued the Notice on Adjusting the Proportions of Capital for Fixed Asset Investment Projects, setting the minimum proportion of capital funds for affordable housing projects and ordinary commodity residential property projects at 20 per cent., and the minimum proportion of capital funds for other property development projects at 30 per cent.

In January 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market, which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional housing properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40 per cent. of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level.

In April 2010, the State Council issued the Circular on Restraining the Housing Price from Increasing Rapidly for Some Cities, which sets out rules designed to curb the rapid increase in the prices of housing in certain cities, including:

- The differentiation of mortgage financing granted to residential property buyers:
    - a household (including the borrower, his or her spouse and any minor children) that borrows a mortgage loan for the purchase of its first residential property, of which the building area is more than 90 square metres, must make a down payment of not less than 30 per cent. of the purchase price;
    - a household that borrows a mortgage loan for the purchase of its second residential property must make a down payment of not less than 50 per cent. of the purchase price and pay a mortgage rate which is not lower than 110 per cent. of the benchmark interest rate;
    - the down payment proportion and mortgage rate applicable to the purchase of a household's third residential property or beyond shall be significantly increased at the sole discretion of the commercial banks according to their risk controlling principles.
- In regions where commodity housing prices are too high, have increased too rapidly or where commodity housing is in short supply, commercial banks may suspend the grant of mortgage loans to any third-time (or beyond) home buyers if they deem it appropriate according to the risks involved, and may suspend the grant of mortgage loans to any non-local home buyers who are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more. Local governments may, based on the circumstances, impose temporary restrictions during a certain period of time on the number of properties that can be purchased.

In January 2011, the General Office of the State Council issued the Notice on Further Improving the Regulation of the Real Estate Market, under which a household that borrows a mortgage loan for the purchase of a second residential property must make a down payment of not less than 60 per cent of the purchase price and pay a mortgage rate which is not lower than 110 per cent. of the benchmark interest rate.

REAL ESTATE MANAGEMENT

Under the Measures for the Administration of Qualifications of Property Service Enterprises, promulgated by the Ministry of Construction in March 2000, as amended in November 2007 and May 2015, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

REAL ESTATE REGISTRATION

On 24 November 2014, The State Council promulgated a Circular on Interim Regulations on Real Estate Registration (不動產登記暫行條例). According the Circular, a uniform registration system over real estate is implemented. Competent department of land and resources of the State Council shall, in concert with other related departments, establish an uniform basic platform for real estate registration information management.

INSURANCE

There is no mandatory provision under the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

MEASURES ON STABILISING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilising Housing Price in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Administration of Taxation and CBRC jointly issued an Opinions on Stabilising Housing Prices which contains the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorised to impose conditions on planning and design such as the building height, plot ratio and green space and to impose such requirements as the selling price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.

- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.

- Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.

- Commencing from 1 June 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the entire sales proceeds from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.

- Ordinary residential houses with medium or small gross floor areas and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 square metres, and the actual transfer price is lower than 120 per cent. of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.

- Transfer of unfinished commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks, promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rates. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20 per cent. to 30 per cent. In May 2006, the Ministry of Construction, the National Development and Reform Commission, PBOC and other relevant PRC government authorities jointly issued their Opinions on Housing Supply Structure and Stabilisation of Property Prices. Such opinions reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70 per cent. of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to mid-size units and low-cost rental properties;

- requiring that at least 70 per cent. of residential projects approved or constructed on or after 1 June 2006 must consist of units with a unit floor area of less than 90 square metres per unit and that projects which have received approvals prior to this date but have not obtained construction commencement permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- increasing the minimum amount of down payment from 20 per cent. to 30 per cent. of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square metres or more, effective from 1 June 2006;

- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35 per cent., restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and

- imposing a business tax levy on the entire sales proceeds from transfer of properties if the holding period is shorter than five years, effective from 1 June 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such resale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.

In July 2006, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Commerce, PBOC, the State Administration for Industry and Commerce, and SAFE jointly issued an Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (the "171 Opinion"). The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among others, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50 per cent. of its total investments in PRC real properties if the amounts of such investments exceed U.S.$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may purchase real property for their own use but not for any other purposes. In addition, foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China. In September 2006, SAFE and the Ministry of Construction jointly issued a Notice in Respect of Foreign Exchange Issues in the Real Estate Market (the "47 Notice") to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing real properties by foreign institutions and foreign individuals. The 47 Notice also forbids a foreign invested real estate enterprise to apply for overseas loans if it has failed to pay its registered capital in full or failed to obtain the land use rights certificates, or its own capital funds do not reach 35 per cent. of the total investment for the project.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties and Further Strengthening Macro-control of Land Supply, pursuant to which at least 70 per cent. of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-size units, low-cost rental properties and affordable housing.

In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (Yin Fa (2008) No. 214), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

In October 2008, PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes, pursuant to which, since 27 October 2008, the bottom limit of the interest rate applicable to the commercial personal home loans has been extended, the minimum amount of down payment has been adjusted to 20 per cent. and the interest rate applicable to personal home loans financed by provident fund has also been reduced.

In October 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Property Transactions, pursuant to which, together with the revision in September 2010, individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax.

In December 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (Guo Ban Fa (2008) No. 131), which aims to, among other things, encourage the consumption of the ordinary residence and support the real estate developer to handle the market change. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from 1 January to 31 December 2009, business tax is imposed on the full amount of the sale income upon the transfer of a non-ordinary residence by an individual within two years from the purchase date. For the transfer of a non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favourable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to "low- to medium-level price" or "small- to mid-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In December 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties, which reiterates the measures set forth in the above Several Opinions on Facilitating the Healthy Development of the Real Estate Market regarding the business tax.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties to curtail speculations in the property market in response to the property price increases across the country. Pursuant to the notice, effective from 1 January 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market (Guo Ban Fa (2010) No. 4) which adopted a series of measures to strengthen and improve the regulation of the property market, stabilise market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40 per cent. of the purchase price.

In March 2010, the Ministry of Land and Resources published the Notice on Increasing the Supply of Land for Real Estate Development and the Tightening of Regulation (Guo Tu Zi Fa (2010) No. 34). The notice contains 19 rules which provide for the inspection of land supply, law enforcement and regulation, information disclosure and other material issues, including provisions that the minimum land premium payable shall not be less than 70 per cent. of the benchmark price for land of the same grade as that of the lot to be granted and that the competitive bid bond shall not be less than 20 per cent. of the minimum land premium. 50 per cent. of the total land premium must be paid within one month of the signing of the contract as down payment with the remainder to be paid by the time agreed in the contract, but in any event no later than one year after the signing of the contract. If a real estate developer fails to pay the land premium when due or is found to be leaving the land idle, hoarding or speculating on land, or to have undertaken land development beyond its capacity or failed to perform its obligations under the land use contract, the relevant municipal or county administrative authority shall prohibit it from participating in any competitive bidding for land within a certain period of time.

In March 2010, the Ministry of Finance and the State Administration of Taxation issued the Notice on Policy on the Levying of Deed Tax on First-time Buyers of Ordinary Residential Properties which states that in the event two or more individuals jointly purchase an ordinary residential property of not more than 90 square metres where one or more of such individuals has or have previously purchased a residential property, none of the joint purchasers of the property shall be eligible for the preferential deed tax treatment for first-time buyers of ordinary residential properties.

In April 2010, the Ministry of Housing and Urban-Rural Development issued the Notice on Issues Relating to the Further Strengthening of Real Estate Market Regulation and Improvement of the Pre-selling System for Commodity Housing (Jian Fang (2010) No. 53) which stipulates that if the pre-sale permit is yet to be received for a commodity housing project, the real estate developer must not receive any form or disguised form of payment from purchasers which is in the nature of earnest money or deposit. Real estate developers are required to disclose, within 10 days of the receipt of the pre-sale permit, all the properties approved for pre-sale and the price of each unit, and to sell the properties at prices which are the same as the prices submitted in the pre-sale proposal.

In April 2010, the State Council issued the Circular on Restraining the Housing Price from Increasing Rapidly for Some Cities (Guo Fa (2010) No. 10) which sets out rules designed to curb the rapid increase in the prices of housing in certain cities, including:

- The differentiation of mortgage financing granted to residential property buyers:

  - a household (including the borrower, his or her spouse and any minor children) that borrows a mortgage loan for the purchase of its first residential property, of which the building area is more than 90 square metres, must make a down payment of not less than 30 per cent. of the purchase price;

  - a household that borrows a mortgage loan for the purchase of its second residential property must make a down payment of not less than 50 per cent. of the purchase price and pay a mortgage rate which is not lower than 110 per cent. of the benchmark interest rate;

  - the down payment proportion and mortgage rate applicable to the purchase of a household's third residential property or beyond shall be significantly increased at the sole discretion of the commercial banks according to their risk controlling principles.

- In regions where commodity housing prices are too high, have increased too rapidly or where commodity housing is in short supply, commercial banks may suspend the grant of mortgage loans to any third-time (or beyond) home buyers if they deem it appropriate according to the risks involved, and may suspend the grant of mortgage loans to any non-local home buyers who are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more. Local governments may, based on the circumstances, impose temporary restrictions during a certain period of time on the number of properties that can be purchased;

- The shareholders of a real estate developer must not, in violation of the regulations, provide the developer with any loan, on-lent loan, security or other facility to support the developer's participation in any competitive bidding for land or its conduct of development and construction work;

- Commercial banks are prohibited from providing loans for new development projects to real estate developers who have been found to be leaving their land idle and speculating on land, and the relevant securities regulatory authorities shall suspend the granting of approval for the listing of or any refinancing or material asset restructuring by such real estate developers; and

- For a real estate development project that has received a pre-sale permit or has completed the recording procedures for the sale of completed properties, all the properties available for sale must be disclosed within the required period of time and sold at prices which are the same as the submitted prices in the pre-sale proposal.

On 26 May 2010, PBOC, the Ministry of Housing and Urban-Rural Development and the China Banking Regulatory Commission jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Individual Commercial Housing Loans, which aims to implement the State Council Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (Guo Fa (2010) No. 10) and mainly provides, among others, that:

- The number of set of residential properties owned by a resident household who is applying for individual commercial housing loans shall be determined by taking account of the total number of set of residential properties actually owned by the members of the household of the purchaser (including the borrower and his or her spouse and children under the age of 18 years) under their names.

- Upon the application or authorisation of the borrower, the urban real estate administration authorities at the levels of the municipalities directly under the State Council, cities with independent budgetary status, provincial capital cities and other cities that can meet the requirements of inquiry shall, through the property registration information system, check the registration record of the residential properties of the borrower's household and issue a written result of the check.

- Where the result of household residential properties registration inquiry cannot be provided for the reason that the inquiry service is not available locally for the time being, the borrower shall provide the lender with a good faith written warranty on the actual number of set of residential properties owned by his or her household. If the lender proves that such good faith warranty has been breached, it shall record a misconduct for such borrower.

- In the event of occurrence of any of the following circumstances, the differential housing loan policies shall be implemented and applied to any borrower who has one or more residential properties and wants to purchase an additional residential property:

  (i) the borrower submits first time an application for a loan for purchasing a residential property and the real property registration systems (including the pre-sale contract registration system, same below) of the locality where the residential property to be purchased is located show that there exists one or more residential properties already registered for his/her household;

  (ii) the borrower has utilised any of the loans to purchase one or more residential properties and submits an application for a loan for purchasing a residential property; or

  (iii) the lender believes that the borrower has one or more residential properties based on the results of its due diligence (including the borrower's creditworthiness check, face-to-face testing, interviewing with the borrower and when necessary visiting the borrower's residential address).

- The differential housing loan policies shall be implemented and applied to any borrower who is a non-resident of the locality where the residential property to be purchased is located and has failed to provide the evidence proving his payment of local taxes or social security contributions for more than one year; and commercial banks in cities where the price of properties is too high, increasing too rapidly or where properties are in short supply may cease to grant any housing loans to the borrowers of this kind in accordance with the provisions of local government policies.

- Real property registration systems to be generally established in the cities divided into districts by end of year 2010.

On 29 September 2010, by issuing the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (Cai Shui 2010 No. 94), the Ministry of Finance decided to levy the deed tax at a reduced rate of 50 per cent. on the ordinary residential property purchased by an individual which is the sole residential property of his or her household (whose members shall include the purchaser and his or her spouse and children under the age of 18 years, the same is applicable below). For an individual who purchases an ordinary residential property which has an area of 90 square meters or less and is the sole residential property of the household, the rate of deed tax shall be reduced to 1 per cent. In addition, for ordinary residential properties purchased by individuals which do not meet the above provisions, the purchaser shall not enjoy the said preferential policies. A taxpayer who sells his or her self-owned residential properties and re-purchases residential properties within one year shall not enjoy the reduction or exemption of the individual income tax.

On 29 September 2010, PBOC and the China Banking Regulatory Commission issued the Circular on Relevant Issues for Improving the Differential Housing Loan Policies (Yin Fa (2010) No. 275) in order to further implement the key points reflected in the State Council Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (Guo Fa (2010) No. 10). This Circular requires that:

- Commercial banks must suspend granting of any housing loan to any household which intends to purchase its third or more residential property and non-local residents who are unable to provide a local tax-payment certificate or social insurance contribution payment certificate for a term of one year or longer.

- For those who use mortgages to purchase residential properties, the minimum down payment was adjusted to a minimum 30 per cent. of the total purchase price of the relevant property; and for a household which uses mortgages to purchase its second residential properties, the policy requiring a minimum 50 per cent. down payment and the mortgage interest rate of at least 1.1 times of the base interest rate was implemented.

- Commercial banks were prohibited to use consumption purpose loans for residential property purchase.

- Commercial banks must cease to grant loans for newly developed projects and renewal of loan terms to real estate developers that have records of violation of laws and regulations as a result of, among other things, rendering the land idle, changing the purpose and nature of land, delaying the construction commencement and completion time and refusing to sell out the properties.

- Commercial banks that do not strictly implement the differential housing loan policies will be stringently punished once proved.

- Loan requests from real estate developers for undertaking the construction projects of low and middle price or small and middle-sized residential properties and participating in social security-purpose residential properties construction projects are encouraged to be granted.

- Financial institutions' support to the social security-purpose residential properties construction projects is encouraged, and policies to support the mid- and long-term loans for the construction of government-sponsored public rental housing projects will be formulated on an urgent basis.

On 30 September 2010, the Ministry of Land and Resources, Ministry of Housing and Urban-Rural Development and Ministry of Supervision jointly issued the Circular on the Further Implementation of Document Guo Fa (2010) No. 10 (Jian Fang (2010) No. 155, commonly known as the "New Five State Provisions"), which expressly requires the imposition of restriction during a certain period of time on the number of properties which a household of residents is allowed to purchase in cities where the housing prices are too high, increasing too rapidly or where housing is in short supply.

On 19 October 2010, PBOC decided that the base interest rates for Renminbi savings and loans offered by financial institutions were to increase from 20 October 2010. The base interest rate for one-year Renminbi savings will be increased by 0.25 per cent., from 2.25 per cent. to 2.50 per cent.; the base interest rate for one-year loans will be increased by 0.25 per cent., from 5.31 per cent. to 5.56 per cent.; the base interest rate for savings and loans of other terms will be adjusted accordingly.

On 20 October 2010, the Ministry of Housing and Urban-Rural Development issued the Notice of Adjustment of Housing Fund Saving and Lending Interest Rates (Jian Jin (2010) No. 169), which provides that "1. Beginning from 20 October 2010, the interest rate for individual housing fund contributions carried forward from the previous year will be increased by 0.2 per cent., from 1.71 per cent. at present to 1.91 per cent. The interest rate for individual housing fund contributions received during the year will remain unchanged. 2. Beginning from 20 October 2010, the interest rate for individual housing fund loans will be increased. The interest rate for individual housing fund loans with a term of five years or below and loans with a term of over five years will be increased by 0.17 per cent. and 0.18 per cent., respectively. The interest rate for loans with a term of five years or below will be increased from 3.33 per cent. to 3.50 per cent., while the interest rate for loans with a term of over five years will be increased from 3.87 per cent. to 4.05 per cent. 3. Beginning from 20 October 2010, the lending interest rate in pilot cities for the financing of subsidised housing construction with housing fund will be equivalent to the interest rate for individual housing fund loans with a term of over five years plus 10 per cent., and will be adjusted according to the changes in the individual housing fund lending interest rate".

Furthermore, since 30 September 2010, many cities have issued measures for the restriction of the number of properties which may be purchased by residents. As at 20 October 2010, a total of 14 cities, namely Beijing, Shanghai, Tianjin, Shenzhen, Guangzhou, Xiamen, Hangzhou, Sanya, Ningbo, Nanjing, Fuzhou, Haikou, Wenzhou and Dalian, had issued measures for restricting the number of properties which may be purchased by residents.

In November 2010, Ministry of Housing and Urban-Rural Development, the Ministry of Finance, the People's Bank of China and the China Regulatory Banking Commission jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan(關於規範住房公積金個人住房貸款政策有關問題的通知), which provided that, among other things: (i) where a first-time house purchaser (including the borrower, his/her spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 square metres, the minimum down payment shall be at least 20 per cent. or (b) more than 90 square metres, the minimum down payment shall be at least 30 per cent.; (ii) for a second-time house purchaser that uses housing reserve loans, the minimum down payment shall be at least 50 per cent. with the minimum lending interest rate at least 1.1 times the benchmark rate; (iii) a second housing reserve loan will only be available to families whose per capita housing area is below the average in their locality and such loan must only be used to purchase an ordinary house for self-use to improve their residence conditions; and (iv) granting housing reserve loans to families for their third residential property and beyond will be suspended.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets(關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties that have less than 70 per cent. of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties will report to the Ministry of Land and Resources and provincial land and resource authorities, respectively, regarding land with a premium rate of more than 50 per cent.; and (iii) land designated for affordable housing which is used for property development against relevant policies or which involve illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, the notice stipulated that changing the plot ratio of land without approval is strictly prohibited.

The State Council has approved on a trial basis the launch of a property tax scheme in selected cities. On 27 January 2011, each of the local governments of Shanghai and Chongqing issued its respective measures for implementing its pilot property tax schemes.

On 9 February 2011, the Ministry of Housing and Urban-Rural Development issued the Notice of Adjustment of Housing Fund Saving and Lending Interest Rates (Jian Jin (2011) No. 32), which provides that, beginning from 9 February 2011, (i) the interest rate for individual housing fund contributions carried forward from the previous year will be increased by 0.35 per cent. from 2.25 per cent. to 2.6 per cent and (ii) (a) the interest rate for individual housing fund loans with a term of five years or less and with a term of more than five years will be increased by 0.25 per cent. and 0.2 per cent., respectively., and (b) the interest rate for loans with a term of five years or less and with a term of more than five years will be increased from 3.75 per cent. to 4 per cent. and from 4.3 per cent. to 4.5 per cent, respectively.

On 6 April 2011, the Ministry of Housing and Urban-Rural Development issued the Notice of Adjustment of Housing Fund Saving and Lending Interest Rates (Jian Jin (2011) No. 84), which provides that, beginning from 6 April 2011, (i) the interest rate for individual housing fund contributions carried forward from the previous year will be increased by 0.25 per cent. from 2.6 per cent. to 2.85 per cent., (ii) (a) the interest rate for individual housing fund loans with a term of five years or less and with a term of more than five years will be increased by 0.2 per cent. and 0.2 per cent., respectively, and (b) the interest rate for loans with a term of five years or less and with a term of more than five years will be increased from 4 per cent. to 4.2 per cent. and from 4.5 per cent. to 4.7 per cent., respectively, and (iii) the lending interest rate in pilot cities for the financing of subsidised housing construction with housing funds will be equivalent to the interest rate for individual housing fund loans with a term of more than five years plus 10 per cent.

On 7 July 2011, the Ministry of Housing and Urban-Rural Development issued the Notice of Adjustment of Housing Fund Saving and Lending Interest Rates (Jian Jin (2011) No. 94), which provides that, beginning from 7 July 2011, (i) the interest rate for individual housing fund contributions carried forward from the previous year of 2010 would be increased by 0.25 per cent. from 2.85 per cent. to 3.1 per cent. while the interest rate for individual housing fund contributions received during the year of 2011 would remain unchanged, (ii) the interest rate for individual housing fund loans with a term of five years or less and with a term of more than five years will be increased by 0.25 per cent. and 0.2 per cent., respectively, and the interest rate for loans with a term of five years or less and with a term of more than five years will be increased from 4.2 per cent. to 4.45 per cent. and from 4.7 per cent. to 4.9 per cent., respectively, and (iii) the lending interest rate in pilot cities for the financing of subsidised housing construction with housing funds will be equivalent to the interest rate for individual housing fund loans with a term of more than five years plus 10 per cent.

On 19 July 2012, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market(《國土資源部、住房城鄉建設部關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》). According to this Notice, the Ministry of Land and Resources, the Ministry of Housing and Urban-Rural Development and their respective local counterparts will continue to strictly regulate the market to prevent housing prices from rebounding. Local governments must ensure adequate supply of land for social security housing projects, and must try to increase the completion rate of such projects. Further, the governments will further improve the land price evaluation procedure, thereby allowing for the reasonable determination of base prices for land auction. For those auctions in which the land prices may be raised to a significantly higher level, the governments must adjust the bidding method in a timely manner. For those lands which are expected to reach unprecedentedly high prices and those lands whose final prices represent a premium of more than 50 per cent. to the base price the government should adjust the land transfer scheme in a timely manner, such as by limiting the final home prices or requiring the land purchaser to build additional social security housing projects. Further, the government will continue enforcing the system for reporting unusual transactions, which requires that governments at city-level and county-level should, within two business days upon the signing of purchase confirmation letter or the dispatch of the letter of acceptance, submit the unusual transaction data to the national land market monitoring and administration system, thereby reporting the unusual transaction to the Ministry of Land and Resources and its agencies at the provincial level.

Additionally under this notice, the government emphasizes that the land to be transferred should not exceed its upper limit of area, and some other acts will continue to be strictly prohibited, such as combining two or more separate tracts of land into one bidding subject, or transferring land without first completing the demolition and relocation work. The floor-area ratio of residential land should be no less than 1. Further, land allocation decision or land transfer contract should require real estate developer to commence the construction and development within one year after the land has been delivered to it and to complete the construction and development within three years. The government will strictly inspect the competence of bidders and prohibit any bank loan from being used for the payment of land price. The deposit for land auction or bidding should not be less than 20 per cent. of the base price. After the deal of land transfer has been reached, the land transfer agreement should be signed within 10 business days, 50 per cent. of the land premium should be paid within one month after the signing of the land transfer agreement and the payment of remaining land premium should be made within one year. Also, the government should prohibit the purchaser from purchasing land for a certain period if such a purchaser (a) failed to pay the land premium, in a timely manner; (b) intentionally left the land idle; (c) intentionally reserved land for the purpose of resale; (d) developed land beyond its development capability; or (e) failed to duly perform the land use contract.

On 6 September 2012, the Ministry of Land and Resources promulgated the Notice on Strictly Implementing Land Use Standards and Vigorously Promoting Economical and Intensive Land Use (《關於嚴格執行土地使用標準大力促進節約集約用地的通知》), which stipulates, among other things, that: (a) land use standards shall be strictly implemented and continuously improved. For industrial and commercial land transferred through lawful public tender, auction and listing-for-sale, the administration of land and resources of cities and counties shall establish the requirements related to land use standards for the schemes and announcement of land assignment, and include such requirements in assignment contracts and strictly enforce the requirements. Construction lands that are listed in the Catalogue for Prohibited Land Use Projects, or fail to conform to the prescribed conditions in the Catalogue for Restricted Land Use Projects (《限制用地項目目錄》), or for which the intensity of investment, floor area ratio, construction coefficient, ratio of green land, or proportion of administrative offices and living facilities land fail to conform to relevant requirements for industrial projects or total area or each functional division area surpasses the required limits or the land area and floor area ratio fails to conform to the conditions of the residential land supply will not be able to pass the land supply and approval procedures; (b) the format and substantial content of land use standards shall be strictly examined; (c) the implementation of land use standards shall be further supervised and evaluated; and (d) the land use standards' training program shall be given to the officials in land and resources authorities, and the land use standards shall be widely publicized for the purpose of effectuation.

On 5 November 2012, the Ministry of Land and Resources, the Ministry of Finance, PBOC and CBRC jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration (Guotuzi Fa [2012] No. 162) (《關於加強土地儲備與融資管理的通知》 (國土資發[2012]162號)) in order to strengthen land bank institutions administration, determine the reasonable scale and structure of land bank, strengthen the administration of land pre-development, reservation and protection, and regulate the financing to land reservation and the use of land reservation funds.

On 26 February 2013, the General Office of the State Council issued the Notice on Continuing to Effectively Regulate the Real Estate Market (《繼續做好房地產市場調控工作的通知》), requiring certain related cities to fine-tune the existing house purchase restrictions on the basis of strict compliance with the Notice of the General Office of the State Council on Further Improving the Macroeconomic Control of the Real Property Market (Guo Ban Fa [2011] No. 1) (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》國辦發[2011]1號), which includes, among others: (i) all administrative regions of a city subject to purchase restrictions shall be covered under such restrictions, while the types of houses subject to purchase restrictions shall include all newly-constructed commercial housing and second-hand housing. The house purchase eligibility shall be examined before the conclusion of a house purchase contract (or a letter of purchase intent). For the time being, houses within the administrative regions of a city shall not be sold to a family without local household register that already owns one or more houses, and a family without local household register that is unable to provide proofs for a certain number of consecutive years of local tax payment or social insurance contribution; (ii) with regard to cities with soaring housing prices, the local branches of the People's Bank of China may further raise the percentage of the minimum down payment (which shall not be lower than 60 per cent.) and loan interest rates which shall not be lower than 1.1 times of the benchmark interest rate for the second-home purchases, according to policy requirements and the price control targets determined by the local people's governments for newly-constructed commercial housing; and (iii) tax authorities shall levy individual income tax payable on the sales of owner-occupied houses at 20 per cent. of the transfer gain in strict accordance with the law if the original value of the houses sold can be verified through historical information, such as tax collection and administration and house registration.

On 29 September, 2014, the PBOC and CBRC issued the Circular of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Financial Services for Housing Consumption (中國人民銀行中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知) which specified that for a family who buys on loan its first ordinary residential property for self-use, the minimum percentage of down payment is 30%, and the lower limit of loan interest rate is 70 per cent. of the benchmark rate, to be decided by banking financial institutions in light of risk conditions; for a family who has paid up the loan of its first residential property and applies again to buy on loan an ordinary residential property as an upgrade to living conditions, the loan policies for first residential property shall apply. The notice also specified that in cities where the measures of "restrictions on house buying" are lifted or not imposed, for a family who owns two or more residential properties and has paid up loans for them, and applies to buy another residential property on loan, banking financial institutions shall decide on the percentage of down payment and interest rate by prudently considering the borrower's solvency and credit status. The banking financial institutions may, according to local plans on urbanization, grant housing loans to non-local residents who meet policy requirements.

On 30 March 2015, the People's Bank of China, the Ministry of Housing and Urban-rural Development and the China Banking Regulatory Commission jointly issued the Notice on Issues concerning Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知), for a resident who owns one house of which relevant housing loan has not been settled, and applies for a commercial individual housing loan for purchasing an ordinary home for the purpose of improving its living conditions, the minimum down payment ratio is adjusted to not less than 40 per cent.; for a worker who pays housing provident fund to purchase the first ordinary with housing provident fund commission loan, the minimum down payment ratio is 20 per cent.; and for a worker who owns one home of which relevant housing loan has been settled and applies for a housing provident fund commission loan for purchasing an ordinary home for the purpose of improving its living conditions, the minimum down payment ratio is 30 per cent..

On 30 March 2015, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業税政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase of such property and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the individual owner's purchase of such property. This notice became effective on 31 March 2015.

OTHER PRC REGULATIONS

Overseas Listing

In August 2006, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, and SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, as amended on 22 June 2009, or the New M&A Rule, which became effective on 8 September 2006. This New M&A Rule requires, among other things, that offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies controlled by PRC companies or individuals, obtain the approval of the China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange. In September 2006, China Securities Regulatory Commission published a notice on its official website specifying documents and materials required to be submitted to it by special purpose vehicles seeking China Securities Regulatory Commission approval of their overseas listings.

Environmental Protection

The laws and regulations governing the environmental protection requirements for real estate development in China include the PRC Environmental Protection Law, the PRC Prevention and Control of Noise Pollution Law, the PRC Environmental Impact Assessment Law and the PRC Administrative Regulations on Environmental Protection for Development Projects. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

Foreign Exchange Controls

Under the PRC Foreign Currency Administration Rules, promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

In October 2005, SAFE issued a Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies ("Circular No.75"). According to the notice, a special purpose company refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of a special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (i) the PRC residents have completed the injection of equity investment or assets of a domestic company into the special purpose company; (ii) the overseas funding of the special purpose company has been completed; and (iii) there is a material change in the capital of the special purpose company. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

In July 2014, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), which is called SAFE Circular No. 37, and its implement guidelines, which abolishes and supersedes aforesaid Circular No. 75 and its related implementation rules and guidelines. Pursuant to the Circular No. 37 and its implementation guidelines, PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle ("SPV") directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registration with SAFE when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV. Failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

In 29 August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises ("Circular No. 142"). Pursuant to Circular No. 142, a foreign-invested enterprise's Renminbi fund received from the settlement of its foreign currency capital must be used within the business scope as approved by the government authority that approved the establishment of such foreign-invested enterprise, and such Renminbi fund cannot be used for domestic equity investment unless it is otherwise provided for.

Effective from 1 June 2015, the aforesaid Circular No. 142 will be repealed by the Circular of SAFE on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知)("Circular No. 19"), or, issued by SAFE in March 2015, which stipulates that the voluntary settlement of foreign exchange capital funds for foreign invested enterprises will be implemented which means that, the foreign exchange capital funds in a foreign invested enterprise's capital account, which have been recognized by the local foreign exchange bureau as the interests of capital contributions or registered with the relevant bank, can be settled in banks according to such enterprise's actual business operation requirements. The provisional percentage for the voluntary settlement of foreign exchange capital funds for foreign invested enterprises is 100 per cent. SAFE may adjust the aforesaid percentage in due time according to the situation of the balance in international payments. Furthermore, Circular No. 19 facilitates domestic equity investments by foreign invested enterprises with funds from the settlement of foreign exchange capital.

MAINLAND CHINA TAXATION

Because the Issuer and the Guarantor are not incorporated in mainland China, investment in the Notes is largely exempt from PRC tax laws, except as disclosed in the section entitled "Risk Factors — Risks Relating to the PRC — The Guarantor may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax ("EIT") Law, which may subject it to the PRC taxation on its worldwide income. In addition, if the Issuer is deemed as a PRC resident enterprise, it would be required to withhold taxes on interest it pays on the Notes and the investors of the Notes would be required to pay taxes on gains realised from the sale of the Notes". But because a substantial part of the Guarantor's business operations are in mainland China and it carries out these business operations through operating subsidiaries and joint ventures organised under the PRC law, its PRC operations and its operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect an investor's investment in the Notes. For information on taxation of a holder of Notes in other jurisdictions, see "Taxation".

DIVIDENDS FROM THE GROUP'S PRC OPERATIONS

Pursuant to the PRC EIT Law and its implementation rules that became effective on 1 January 2008, dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10 per cent. unless any lower treaty rate is applicable.

Under the EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes and will be subject to PRC EIT on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

The Group's Operations in Mainland China

The Guarantor's subsidiaries and joint ventures through which it conducts the Group's business operations in mainland China are subject to PRC tax laws and regulations.

Deed Tax

Under the PRC Interim Regulation on Deed Tax, a deed tax is chargeable to transferees of land use rights or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

Deed tax rate is between 3 per cent. to 5 per cent. subject to determination by local governments at the provincial level in light of the local conditions.

Corporate Income Tax

Under the EIT Law, effective from 1 January 2008, a unified EIT rate is set at 25 per cent. for both domestic enterprises and foreign-invested enterprises. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10 per cent. unless any lower treaty rate is applicable. However, under the tax law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes and will be subject to PRC EIT on their worldwide income. Dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

The Notice of the Repayment of Corporate Income Tax of the Real Estate Development Enterprises (the "Notice of Repayment"), issued by the State Administration of Taxation on 11 April 2008 and revised on 4 January 2011 required real estate developers to prepay EIT on a quarterly (or monthly) basis according to their current actual profit.

Under the Notice of Repayment, the tax prepayment on pre-sale income shall be paid upon calculation of the estimated quarterly or monthly profit according to the pre-set estimated profit rate, which is readjusted according to actual profit after the completion of the buildings and settlement of the taxable cost.

With respect to affordable housing projects and in prefectural-level cities and suburbs, the pre-set estimated profit rate will be not less than 3 per cent. For buildings located at provincial-level cities and suburbs, the pre-set estimated profit rate will not be less than 20 per cent., while for prefectural-level cities and suburbs, the pre-set estimated profit rate will not be less than 15 per cent.

On 6 March 2009, the State Administration of Taxation issued the Notice on the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses, regulating the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real property business in the PRC, in relation to the imposition of EIT.

Business Tax

Under the PRC Interim Regulation on Business Tax of 1994, as amended in 2008, services in mainland China are subject to business tax. Taxable services include sale of real property in mainland China. Business tax rate is between 3 per cent. to 20 per cent. depending on the type of services provided. Sale of real properties and other improvements on the land attract a business tax at the rate of 5 per cent. of the turnover of the selling enterprise payable to the relevant local tax authorities.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties to curtail speculation in the property market in response to the property price increases across the country. Pursuant to the Notice, effective from 1 January 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

Land Appreciation Tax

Under the PRC Interim Regulation on Land Appreciation Tax of 1994, and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with the land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30 per cent. to 60 per cent. of the appreciation value as compared to the "deductible items" as follows:

Appreciation value	LAT rate (%)
Portion not exceeding 50 per cent. of deductible items	30
Portion over 50 per cent. but not more than 100 per cent. of deductible	40
Portion over 100 per cent. but not more than 200 per cent. of deductible	50
Portion over 200 per cent. of deductible items	60

Exemption from LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises) where the appreciation amount does not exceed 20 per cent. of the sum of deductible items;

- Real estate taken over and repossessed according to laws due to the construction requirements of the state; and

- Due to redeployment of work or improvement of living standards, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before 1 January 1994; and

- first time transfers of land use rights or premises and buildings during the five years commencing on 1 January 1994 if the land grant contracts were executed or the development projects were approved before 1 January 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

The State Administration of Taxation issued a further notice in July 2002 to require local tax authorities to require prepayment of LAT on the basis of proceeds from pre-sale of real estate.

In December 2006, the State Administration of Taxation issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises, which came into effect on 1 February 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the Rules on the Administration of the Settlement of Land Appreciation Tax, which came into force in 1 June 2009.

On 19 May 2010, the State Administration of Taxation promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值稅清算有關問題的通知》), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

On 25 May 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》), which provides for a minimum LAT prepayment rate at 2 per cent. for provinces in eastern China region, 1.5 per cent. for provinces in the central and north eastern China regions, and 1 per cent. for provinces in the western China region. The notice also delegate to the local tax authorities the authority to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

On 20 June 2013, the State Administration of Taxation issued the Notice on Further Improving the Collection and Administration of Value-Added Tax on Land (關於進一步做好土地增值稅徵管工作的通知), according to which, the State Administration of Taxation will continue to strengthen the administration over the Value-added Tax on Land inquisition, strict examination of deductible items, reducing the assessment and collection items and other aspects.

Urban Land Use Tax

Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land, promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax rate on urban land was between RMB0.2 and RMB10 per square metre. The amendments by the State Council in December 2006 and December 2015 changed the annual tax rate to between RMB0.6 and RMB30 per square metre of urban land. Foreign-invested enterprises are no longer exempt from the land use tax.

Buildings Tax

Under the PRC Interim Regulations on Buildings Tax, promulgated by the State Council in September 1986, buildings tax applicable to domestic enterprises is 1.2 per cent. if it is calculated on the basis of the residual value of a building and 12 per cent. if it is calculated on the basis of the rental. On 27 January 2011, the governments of Shanghai and Chongqing respectively issued measures for implementing pilot individual property tax schemes, which became effective on 28 January 2011.

And according to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprises.

Stamp Duty

Under the PRC Interim Regulations on Stamp Duty, promulgated by the State Council in August 1988, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05 per cent. of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5 per item.

Municipal Maintenance Tax

Under the PRC Interim Regulations on Municipal Maintenance Tax, promulgated by the State Council in 1985 and revised in 2011, taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax are required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7 per cent. for a taxpayer whose domicile is in an urban area, 5 per cent. for a taxpayer whose domicile is in a county or a town, and 1 per cent.

for a taxpayer whose domicile is not in any urban area or county or town. According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by the State Council on 18 October 2010, the municipal maintenance tax is applicable to foreign invested enterprises, foreign enterprises and foreign individuals with effect from 1 December 2010.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge, promulgated by the State Council in April 1986 and amended in 1990 and in August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. The Education Surcharge rate is 3 per cent. calculated on the basis of consumption tax, value-added tax and business tax. According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by the State Council on 18 October 2010, the education surcharge is applicable to foreign invested enterprises, foreign enterprises and foreign individuals with effect from 1 December 2010.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and EU tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of Cayman Islands, Hong Kong and EU tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

CAYMAN ISLANDS

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer or any holder of Notes. Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the Notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties that are applicable to any payments made to or by the Issuer.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes. However an instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong and where such profits arise in or are derived from Hong Kong.

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(c) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance of Hong Kong) and arises through or from the carrying on by the financial institution or its business in Hong Kong.

Any capital gains from the sale of the Notes will not be subject to taxes in Hong Kong, except that Hong Kong profits tax may be chargeable in the case of owners of Notes who carry on a trade, profession or business in Hong Kong and such gains form part of the revenue profits of such trade, profession or business.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of the Notes.

EU SAVINGS DIRECTIVE

Under European Directive 2003/48/EC on taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) when during such period it elects otherwise.

The Council of the European Union has adopted a Directive (the "Amending Savings Directive") which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in a Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Savings Directive requires Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Council of the European Union has also adopted a Directive (the "Amending Cooperation Directive") amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes, and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Savings Directive.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States, and the scope of any such tax is uncertain. Additional Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme* (together, the "ICSDs"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement with the United States (an "IGA") will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch, BNP Paribas, China Construction Bank (Asia) Corporation Limited, DBS Bank Ltd., Deutsche Bank AG, London Branch, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, J.P. Morgan Securities plc and UBS AG, Hong Kong Branch (the "Joint Lead Managers") dated 7 July 2015 and takes effect from 8 July 2015 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Guarantor has agreed to guarantee and the Joint Lead Managers have severally and not jointly agreed with the Issuer and the Guarantor to subscribe for the principal amount of Notes as set forth opposite their names in the following table.

Joint Lead Managers	Principal Amount of the Notes
ABCI Capital Limited	EUR33,333,000
Agricultural Bank of China Limited Hong Kong Branch	EUR33,334,000
BNP Paribas	EUR66,667,000
China Construction Bank (Asia) Corporation Limited	EUR66,667,000
DBS Bank Ltd.	EUR66,667,000
Deutsche Bank AG, London Branch	EUR66,666,000
The Hongkong and Shanghai Banking Corporation Limited	EUR66,667,000
ICBC International Securities Limited	EUR33,334,000
Industrial and Commercial Bank of China (Asia) Limited	EUR33,333,000
J.P. Morgan Securities plc	EUR66,666,000
UBS AG, Hong Kong Branch	EUR66,666,000
	EUR600,000,000

The Joint Lead Managers are offering the Notes in accordance with the terms of the Subscription Agreement and subject to certain conditions contained in the Subscription Agreement, including, inter alia, the receipt by the Joint Lead Managers of documentation related to the issuance and sale of the Notes, officer's certificates and legal opinions. The Subscription Agreement may be terminated by the Joint Lead Managers in certain circumstances prior to payment being made to the Issuer. The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Notes.

The Issuer or, as the case may be, the Guarantor will pay the Joint Lead Managers' customary fees and commissions in connection with the offering and will reimburse the Joint Lead Managers for certain fees and expenses incurred in connection with the offering.

The Joint Lead Managers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act pursuant to Regulations S.

NEW ISSUE OF THE NOTES

The Notes are a new issuance of securities with no established trading market. Application has been made to the Irish Stock Exchange plc for the approval of this Offering Circular as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. Application has also been made to the Hong Kong Stock Exchange to list the Notes by way of debt issues to professional investors only. However, no assurance can be given as to the liquidity of any trading market for the Notes. A liquid or active public trading market for the Notes may not develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the performance of the Issuer and the Guarantor and other factors.

PRICE STABILISATION AND SHORT POSITIONS

In connection with the offering, BNP Paribas as the Stabilising Manager or any person acting on its behalf may, after consultation with the other Joint Lead Managers and to the extent permitted by applicable laws and directives, engage in transactions that stabilise or otherwise affect the market price of the Notes. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If the Stabilising Manager or its agent creates a short position in the Notes in connection with the offering (i.e. if the Stabilising Manager or its agent sells more the Notes than are set forth on the cover page of this Offering Circular), such Stabilising Manager or its agent may reduce that short position by purchasing the Notes in the open market. In general, purchases of a Note for the purpose of stabilisation or to reduce a short position could cause the price of the Notes to be higher than it might be in the absence of such purchases. There is no assurance, however, that the Stabilising Manager or its agent will undertake stabilisation action. Any stabilisation action may begin on or after the date adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time and must be brought to an end after a limited period.

Neither the Issuer, the Guarantor nor the Stabilising Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer nor the Stabilising Manager makes any representation that the Stabilising Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

OTHER RELATIONSHIPS

Each of the Joint Lead Managers or its affiliates, or affiliates of the Issuer or the Guarantor, may purchase the Notes for its or their own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Notes or the Guarantor's securities at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchaser of the Notes). Each Joint Lead Manager and/or its affiliate(s) may purchase Notes and be allocated Notes for asset management and/ or proprietary purposes, acting as investor for their own accounts and not with a view to distribution, and may in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, for their own account. Such persons are not expected to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "Risk Factors — Risks Relating to the Guarantee and the Notes — An active trading market for the Notes may not develop"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

The Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Guarantor or its subsidiaries, joint ventures or associates from time to time. They have received, and may in the future receive, customary fees and commissions for these transactions. In addition to the transactions noted above, the Joint Lead Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Guarantor or its subsidiaries, joint ventures or associates in the ordinary course of their business. In addition, the Joint Lead Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Guarantor as beneficial owners, on behalf of clients or in the capacity of investment advisors. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Notes and could adversely affect the trading prices of the Notes. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

SELLING RESTRICTIONS TO THE OFFERING

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee, an offer or sale of Notes or Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor and (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors", as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance and (2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

The PRC

Each Joint Lead Manager has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

Cayman Islands

Each Joint Lead Manager has represented, warranted and agreed that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Act"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, or otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"); (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes. Accordingly, each Joint Lead Manager has represented and agreed that it will not publicly offer, sell or advertise the Notes, directly or indirectly, in, into or from Switzerland and will not list the Notes on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and each Joint Lead Manager has agreed it will not publicly distribute or otherwise make publicly available in Switzerland either this Offering Circular or any other offering or marketing material relating to the Notes. Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority (FINMA), and investors in the Notes will not benefit from protection or supervision by such authority.

General

The distribution of this Offering Circular and the offering and sales of the Notes in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code number 123661168 and the International Securities Identification Number for the Notes is XS1236611684.

2. Listing of the Notes

Application has been made to the Irish Stock Exchange for the approval of this Offering Circular as the Listing Particulars and for the Notes to be admitted to the Official List and to trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. It is expected that dealing in, and listing of, the Notes on the Irish Stock Exchange will commence on or around 15 July 2015. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange for trading on the Global Exchange Market of the Irish Stock Exchange. The estimate of the total expenses related to admission to trading is €5,000.

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors only. It is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on 16 July 2015.

3. Authorisations

Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a meeting of the board of directors of the Guarantor held on 18 May 2015 and by written resolutions of all the directors of the Issuer on 2 June 2015.

4. No Material Adverse Change

Except as disclosed in this Offering Circular, there has been no material adverse change in the prospects, and there has been no significant change in the financial or trading position of, the Guarantor or the Group since 31 December 2014 nor, of the Issuer since its date of incorporation.

5. Litigation

None of the Issuer or the Guarantor is or has been engaged in nor, so far as the Issuer or the Guarantor are aware, is there any pending or threatened, governmental, legal or arbitration proceedings which may have, or have had, a significant effect on the Issuer's financial position or profitability since the date of its incorporation, or on the Guarantor's financial position or profitability during the 12 months preceding the date of this Offering Circular.

6. Available Documents

Physical copies of the Guarantor's annual reports for the years ended 31 December 2013 and 2014, the Trust Deed (which includes the Guarantee given by the Guarantor) and the Agency Agreement relating to the Notes and the Memorandum and Articles of Association of the Issuer and the Articles of Association of the Guarantor will be available for inspection from the Issue Date at the specified office of the Guarantor at 10/F, Three Pacific Place, 1 Queen's Road East, Hong Kong and, upon prior written request, at the principal place of business of the Trustee (being at the date of this Offering Circular, 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) during normal business hours, so long as any of the Notes is outstanding.

7. Auditor

The Guarantor's audited consolidated financial statements as of and for the years ended 31 December 2013 and 2014, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants of the Hong Kong Institute of Certified Public Accountants, as stated in their reports appearing herein.

8. Issuer's Accounts

Under Cayman Islands law, the Issuer is not required to publish interim or annual accounts. The Issuer has not published, and does not propose to publish, any of its accounts. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

INDEX TO FINANCIAL INFORMATION

Notes:

(1) The consolidated financial statements of the Guarantor set out herein are derived from the Guarantor's annual report for the year ended 31 December 2013. Page references included in the audited consolidated financial statements as at and for the year ended 31 December 2013 set out herein refer to pages set out in such annual report.

(2) The consolidated financial statements of the Guarantor set out herein are derived from the Guarantor's annual report for the year ended 31 December 2014. Page references included in the audited consolidated financial statements as at and for the year ended 31 December 2014 set out herein refer to pages set out in such annual report.

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 130 to 218, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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

Independent Auditor's Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

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

Consolidated Statement of Financial Position

At 31 December 2013

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

Consolidated Statement of Financial Position (continued)

At 31 December 2013

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

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

Hao Jian Min
DIRECTOR

Xiao Xiao
DIRECTOR

Company Statement of Financial Position

At 31 December 2013

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

Hao Jian Min
DIRECTOR

Xiao Xiao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
THE GROUP												
At 1 January 2012	817,252	18,796,072	18,798	519	22,950	22,732	8,034,914	1,446,070	42,457,676	71,616,983	273,015	71,889,998
Profit for the year	–	–	–	–	–	–	–	–	18,722,221	18,722,221	110,250	18,832,471
Exchange differences on translation of the Company and subsidiaries	–	–	–	–	–	–	(75,411)	–	–	(75,411)	(464)	(75,875)
Exchange differences on translation of joint ventures	–	–	–	–	–	–	(12,165)	–	–	(12,165)	–	(12,165)
Exchange differences on translation of associates	–	–	–	–	–	–	20,750	–	–	20,750	–	20,750
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	(4,407)	–	–	–	(4,407)	–	(4,407)
Total comprehensive income for the year	–	–	–	–	–	(4,407)	(66,826)	–	18,722,221	18,650,988	109,786	18,760,774
2011 final dividend paid	–	–	–	–	–	–	–	–	(1,634,504)	(1,634,504)	–	(1,634,504)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	10,370	10,370
2012 interim dividend paid	–	–	–	–	–	–	–	–	(1,389,328)	(1,389,328)	–	(1,389,328)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(76,049)	(76,049)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(81,104)	–	81,104	–	–	–
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(4,305)	(4,305)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	392,554	(392,554)	–	–	–
At 31 December 2012	817,252	18,796,072	18,798	519	22,950	18,325	7,886,984	1,838,624	57,844,615	87,244,139	312,817	87,556,956
Profit for the year	–	–	–	–	–	–	–	–	23,043,712	23,043,712	135,214	23,178,926
Exchange differences on translation of the Company and subsidiaries	–	–	–	–	–	–	2,556,045	–	–	2,556,045	26,321	2,582,366
Exchange differences on translation of joint ventures	–	–	–	–	–	–	417,860	–	–	417,860	–	417,860
Exchange differences on translation of associates	–	–	–	–	–	–	140,679	–	–	140,679	–	140,679
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	538	–	–	–	538	–	538
Total comprehensive income for the year	–	–	–	–	–	538	3,114,584	–	23,043,712	26,158,834	161,535	26,320,369
2012 final dividend paid	–	–	–	–	–	–	–	–	(1,961,428)	(1,961,428)	–	(1,961,428)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	785,934	785,934
Issue of shares upon exercise of share options	10	118	–	(19)	–	–	–	–	–	109	–	109
2013 interim dividend paid	–	–	–	–	–	–	–	–	(1,471,071)	(1,471,071)	–	(1,471,071)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(134,274)	(134,274)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(206,856)	–	206,856	–	–	–
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(46,199)	(46,199)
Release of exchange reserve of joint ventures upon acquisitions	–	–	–	–	–	–	(299,473)	–	299,473	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	222,014	(222,014)	–	–	–
At 31 December 2013	**817,262**	**18,796,190**	**18,798**	**500**	**22,950**	**18,863**	**10,495,239**	**2,060,638**	**77,740,143**	**109,970,583**	**1,079,813**	**111,050,396**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

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

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2013

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

Notes to the Financial Statements

For the year ended 31 December 2013

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's parent company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong, and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC and the PRC government is a substantial shareholder of CSCEC. The registered office and principal place of business of the Company is situated at 10th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shanghai, Beijing, Foshan, Chengdu, Nanjing, Suzhou and other regions in the PRC.

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

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

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

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business Combinations *(continued)*

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

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

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

Investments in Subsidiaries

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

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

Interests in Associates

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in Associates *(continued)*

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

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

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

Joint Ventures

Interests in Joint Ventures

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint Ventures *(continued)*

Interests in Joint Ventures *(continued)*

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

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

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

Investment Properties

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, Plant and Equipment

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

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

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

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

Impairment losses on Tangible and Intangible Assets other than Goodwill

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments

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

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

Financial Assets

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

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, associates, joint ventures and non-controlling interests, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets (comprising investments in syndicated property project companies) are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

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

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

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

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

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity Instruments *(continued)*

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial Guarantee Contracts

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

Derecognition

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

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

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock of Properties

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

Land Development Expenditure

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

Borrowing Costs

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

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

Foreign Currencies

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign Currencies *(continued)*

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

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

Leasing

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

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

The Group and the Company as lessees
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold Land and Building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasehold Land and Building *(continued)*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Retirement Benefit Costs

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

Taxation

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Property Development

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

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

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

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

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

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

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

Property Rentals

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

Construction Contract Income

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

Real Estate Agency, Management Services and Building Design Consultancy Services

Revenue from the provision of real estate agency, management services and building design consultancy services is recognised when services are provided.

Dividend Income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Dividend Distribution

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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

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

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2013 at their fair values of approximately HK$32,532 million (2012: HK$23,657 million). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

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

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

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

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2013 is stock of properties with an aggregate carrying amount of approximately HK$160,952 million (2012: HK$108,480 million). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(d) Land Appreciation Tax ("LAT")

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes bank borrowings and guaranteed notes payable disclosed in notes 38 and 39, respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserves.

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

a. Categories of financial instruments

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

b. Financial risk management objectives and policies

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank loans, amounts due from joint ventures and amounts due to non-controlling interests, amounting to approximately HK$40,011 million (2012: HK$37,641 million), approximately HK$765 million (2012: HK$702 million) and approximately HK$622 million (2012: HK$403 million), respectively. The Company's cash flow interest rate risk relates to its variable-rate bank loans amounting to approximately HK$31,248 million (2012: HK$29,577 million). The variable-rate bank loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate amount due from a joint venture, guaranteed notes payable, and amounts due to non-controlling interests, amounting to approximately HK$458 million (2012: nil), approximately HK$32,688 million (2012: HK$21,148 million) and approximately HK$220 million (2012: HK$422 million), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rate amounts due from subsidiaries amounting to HK$2,264 million (2012: nil). Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

THE GROUP

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk *(continued)*

Interest rate risk sensitivity analysis (continued)

THE COMPANY

If interest rates had been 100 (2012: 100) basis point higher/lower and all other variables were held constant, the Company's profit before tax for the year ended 31 December 2013 would decrease/increase by HK$312,478,000 (2012: HK$295,773,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans.

Currency risk

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk *(continued)*

Currency risk sensitivity analysis

The Group and the Company mainly expose to the currency risk of US$ and HK$. The following details the Group's and the Company's sensitivity to a 5% (2012: 5%) increase and decrease in the RMB against US$ and HK$, respectively. 5% (2012: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, receivables, payables, bank borrowings and guaranteed notes payable in currencies other than the functional currencies of the group entities. Certain guaranteed notes payable denominated in US$ expose to foreign currency exchange rate risk against HK$. As HK$ is pegged to US$, management considered the foreign currency exchange risk exposed to these US$ guaranteed notes payable is insignificant.

THE GROUP

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

THE COMPANY

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(ii) Credit risk

As at 31 December 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

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

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 45.

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk

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

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

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

THE GROUP

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk *(continued)*

THE GROUP *(continued)*

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

THE COMPANY

	Within 1 year or on demand *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*	**More than 5 years** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Carrying amount at 31 December 2013** *HK$'000*
2013						
Other payables	**43,064**	**–**	**–**	**–**	**43,064**	**43,064**
Amounts due to subsidiaries	**17,766,070**	**–**	**–**	**–**	**17,766,070**	**17,766,070**
Bank borrowings — variable-rate	**3,001,956**	**18,225,823**	**11,233,266**	**–**	**32,461,045**	**31,247,818**
Financial guarantee contracts	**1,165,516**	**3,832,018**	**12,974,722**	**23,265,000**	**41,237,256**	**569,234**
	21,976,606	**22,057,841**	**24,207,988**	**23,265,000**	**91,507,435**	**49,626,186**

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk *(continued)*
THE COMPANY *(continued)*

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December 2012 *HK$'000*
2012						
Other payables	43,874	–	–	–	43,874	43,874
Amounts due to subsidiaries	3,949,228	–	–	–	3,949,228	3,949,228
Bank borrowings — variable-rate	5,079,979	2,899,369	22,871,377	–	30,850,725	29,577,255
Financial guarantee contracts	1,647,755	2,948,939	9,880,354	15,504,000	29,981,048	595,752
	10,720,836	5,848,308	32,751,731	15,504,000	64,824,875	34,166,109

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

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

c. Fair value

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

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

Other than the guaranteed notes payable that is disclosed in note 39, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value *(continued)*

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THE GROUP

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

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

THE COMPANY

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

7. TURNOVER

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

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

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

8. SEGMENT INFORMATION

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

Property development — proceeds from property development activities

Property investment — property rentals

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

8. SEGMENT INFORMATION *(continued)*

Segment turnover and results

The following is an analysis of the Group's turnover and results and the Group's share of turnover and results of joint ventures by reportable segments.

Year ended 31 December 2013

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

Year ended 31 December 2012

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

8. SEGMENT INFORMATION *(continued)*

Segment turnover and results *(continued)*

Reconciliation of reportable segment profit to the consolidated profit before tax

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

Segment profit includes profits from subsidiaries, share of profits of joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of interest income on bank deposits, fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions, corporate expenses, finance costs and net foreign exchange gains. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

At 31 December 2013

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

At 31 December 2012

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

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

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

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

Notes:

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

8. SEGMENT INFORMATION *(continued)*

Other Segment information

Year ended 31 December 2013

	Property development *HK$'000*	**Property investment** *HK$'000*	**Other operations** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	**435,312**	**4,094,498**	**46,738**	**4,576,548**
Loss on disposal of property, plant and equipment	**62**	**1**	**214**	**277**
Depreciation and amortisation	**34,884**	**3,574**	**70,943**	**109,401**
Gain arising from changes in fair value of investment properties	**–**	**3,438,106**	**–**	**3,438,106**
Interest income on amounts due from joint ventures	**121,065**	**–**	**–**	**121,065**
Share of profits of associates	**838,117**	**–**	**–**	**838,117**

Year ended 31 December 2012

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

8. SEGMENT INFORMATION *(continued)*

Revenue from major products and services

An analysis of the Group's turnover for the year from its major products and services is set out in note 7.

Information about geographical areas

The Group's property development, property investment and other operations are carried out in Hong Kong, Macau and other regions in the PRC. The following table provides an geographical analysis of the Group's turnover from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

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

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

Information about major customers

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

9. OTHER INCOME AND GAINS

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

10. FINANCE COSTS

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

11. INCOME TAX EXPENSES

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

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%.

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

Macau income tax is calculated at the prevailing tax rate of 12% (2012: 12%) in Macau.

Details of deferred tax are set out in note 40.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

11. INCOME TAX EXPENSES *(continued)*

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

12. PROFIT FOR THE YEAR

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

Note: The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost recognised in profit or loss of approximately HK$74 million (2012: HK$49 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

13. DIRECTORS' EMOLUMENTS

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

		Year ended 31 December 2013				
	Notes	Directors' fees *HK$'000*	Basic salaries, allowances and benefits-in-kind *HK$'000*	Performance related bonus *HK$'000*	Contributions to provident fund schemes *HK$'000*	Total *HK$'000*
Executive Directors						
Kong Qingping	*(i)*	–	4,438	–	10	4,448
Hao Jian Min		–	5,659	3,029	15	8,703
Xiao Xiao		–	5,397	2,951	15	8,363
Chen Yi	*(ii)*	–	484	2,724	–	3,208
Dong Daping	*(iii)*	–	256	–	–	256
Luo Liang		–	1,439	9,231	10	10,680
Nip Yun Wing		–	2,741	1,700	15	4,456
Guo Yong	*(iv)*	–	824	5,561	10	6,395
Kan Hongbo	*(iv)*	–	815	6,005	10	6,830
Non-executive Director						
Zheng Xuexuan		300	–	–	–	300
Independent Non-executive Directors						
Li Kwok Po, David	*(iii)*	76	–	–	–	76
Li Man Bun, Brian David	*(iv)*	284	–	–	–	284
Lam Kwong Siu		250	–	–	–	250
Wong Ying Ho, Kennedy		360	–	–	–	360
Fan Hsu Lai Tai, Rita		360	–	–	–	360
		1,630	22,053	31,201	85	54,969

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

13. DIRECTORS' EMOLUMENTS *(continued)*

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

Notes:

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

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

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

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

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

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

The performance related bonus was determined based on the Group's performance for the year.

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

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

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2013 and 31 December 2012.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

14. DIVIDENDS

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

15. EARNINGS PER SHARE

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

16. INVESTMENT PROPERTIES

	Completed		Under construction	
	The PRC	Hong Kong & Macau	The PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
FAIR VALUE				
At 1 January 2012	9,473,383	3,456,750	4,835,239	17,765,372
Additions of land cost and construction costs	24,727	3,523	1,558,309	1,586,559
Transfer upon completion	705,476	–	(705,476)	–
Transfer from property, plant and equipment (note 17)	–	32,144	–	32,144
Transfer from completed properties	143,888	–	–	143,888
Reclassified from deposits for land use rights	–	–	485,484	485,484
Gain arising from changes in fair value of and transfer to investment properties *(Note)*	1,602,990	618,783	1,429,047	3,650,820
Exchange realignment	(2,918)	–	(4,022)	(6,940)
At 31 December 2012	11,947,546	4,111,200	7,598,581	23,657,327
Additions of land cost and construction costs	–	–	4,094,498	4,094,498
Transfer upon completion	747,901	–	(747,901)	–
Transfer from completed properties	590,356	–	–	590,356
Gain arising from changes in fair value of investment properties	1,698,013	159,500	1,580,593	3,438,106
Exchange realignment	414,185	–	337,189	751,374
At 31 December 2013	15,398,001	4,270,700	12,862,960	32,531,661

Note: The amount in 2012 included HK$317,036,000 in respect of the gain on transfer of completed properties held for sale to investment properties.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

16. INVESTMENT PROPERTIES *(continued)*

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

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

Valuation processes of the Group

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

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

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

At each reporting period the finance department:

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

16. INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs

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

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

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

Information about fair value measurements using significant unobservable inputs

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong *HK$'000*	Leasehold land and buildings *HK$'000*	Hotel building *HK$'000*	Plant, machinery and equipment *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Total *HK$'000*
THE GROUP						
COST						
At 1 January 2012	4,375	231,991	–	61,433	289,988	587,787
Exchange realignment	–	(36)	–	(35)	(37)	(108)
Additions	–	16,278	–	32,192	68,376	116,846
Transfer from properties under development	–	–	622,599	–	–	622,599
Transfer to investment properties (note 16)	(4,375)	(42,360)	–	–	–	(46,735)
Disposals	–	–	–	(423)	(48,162)	(48,585)
At 31 December 2012	–	205,873	622,599	93,167	310,165	1,231,804
Exchange realignment	–	3,587	22,586	1,979	8,002	36,154
Additions	–	399,812	–	10,992	71,246	482,050
Acquisition of subsidiaries (note 41)	–	–	–	43	3,900	3,943
Disposals	–	–	–	(637)	(38,065)	(38,702)
At 31 December 2013	–	609,272	645,185	105,544	355,248	1,715,249
DEPRECIATION						
At 1 January 2012	1,389	45,139	–	38,909	164,715	250,152
Exchange realignment	–	(11)	–	(4)	(21)	(36)
Provided for the year	–	12,912	–	3,444	33,258	49,614
Transfer to investment properties (note 16)	(1,389)	(13,202)	–	–	–	(14,591)
Eliminated on disposals	–	–	–	(68)	(29,129)	(29,197)
At 31 December 2012	–	44,838	–	42,281	168,823	255,942
Exchange realignment	–	1,236	642	333	4,274	6,485
Provided for the year	–	13,596	31,464	7,815	48,548	101,423
Eliminated on disposals	–	–	–	(407)	(19,390)	(19,797)
At 31 December 2013	–	59,670	32,106	50,022	202,255	344,053
CARRYING VALUES						
At 31 December 2013	**–**	**549,602**	**613,079**	**55,522**	**152,993**	**1,371,196**
At 31 December 2012	–	161,035	622,599	50,886	141,342	975,862

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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

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

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

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

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

18. PREPAID LEASE PAYMENTS FOR LAND

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

19. INVESTMENTS IN SUBSIDIARIES

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

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

20. INTERESTS IN ASSOCIATES

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

20. INTERESTS IN ASSOCIATES *(continued)*

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

Summarised statement of financial position

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

20. INTERESTS IN ASSOCIATES *(continued)*

Summarised statement of comprehensive income

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

Reconciliation of summarised financial information

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

20. INTERESTS IN ASSOCIATES *(continued)*

Aggregate information of associates that are not individually material

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

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

21. INTERESTS IN JOINT VENTURES

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

21. INTERESTS IN JOINT VENTURES *(continued)*

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

21. INTERESTS IN JOINT VENTURES *(continued)*

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

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

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

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

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

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

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

Aggregate information of joint ventures that are not individually material

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

22. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES

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

The investments represent the Group's interests in the following syndicated property project companies which are carried at fair value at the end of the reporting period as estimated by the directors of the Company by reference to the fair value of the properties held by these companies.

The syndicated property project companies are incorporated and operating in Hong Kong unless otherwise indicated.

Name of entity	**Attributable equity interests held by the Group** %	**Principal activities**
Direct Profit Development Limited	8	Property development
Dramstar Company Limited	12	Property development
Moricrown Ltd. *	7	Property development
Victory World Limited	10	Property development

* *Incorporated in the British Virgin Islands*

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

24. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY				
	2013			2012	
	Interest-free	**Interest bearing**	**Total**	Interest-free	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
The amounts comprise:					
Unsecured and due one year after the end of reporting period included in non-current assets	**3,557,805**	**2,263,642**	**5,821,447**	1,110,872	1,110,872
Unsecured and repayable on demand included in current assets	**56,729,356**	**–**	**56,729,356**	48,604,425	48,604,425

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

25. PLEDGED BANK DEPOSITS AND OTHER FINANCIAL LIABILITIES

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

Notes:

(a) *The pledged bank deposits represent deposits pledged to banks to secure the mortgage loans granted by banks to the home buyers. The deposits, which carry variable interest rates ranging from of 0.35% to 0.50% (2012: 0.35% to 0.50%) per annum will be released upon the settlement of the relevant mortgage loans.*

(b) *Details of the financial guarantee contracts are set out in note 45.*

26. INVENTORIES

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

27. STOCK OF PROPERTIES

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

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

28. LAND DEVELOPMENT EXPENDITURE

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

29. TRADE AND OTHER RECEIVABLES

Proceeds receivable in respect of properties development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from properties development and rental income from lease of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

The following is an aged analysis of trade and other receivables presented at the end of the reporting period:

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

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

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

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

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

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

At 31 December 2013, except for the unsecured amount due from a joint venture of approximately HK$457,899,000 (2012: nil) which carries interest at fixed rate of 7.32% per annum and repayable on demand, the remaining amounts due from joint ventures are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

31. BANK BALANCES AND CASH

Included in bank balances and cash in the consolidated statement of financial position are restricted bank deposits of HK$535,463,000 (2012: HK$1,000,814,000) which can only be applied in the designated property development projects.

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

All bank deposits of the Group carry interest at market rates which range from 0.01% to 4.20% (2012: 0.01% to 4.20%) per annum.

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

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash denominated in:				
HK$	**3,983,075**	2,477,704	**3,500,872**	1,405,029
US$	**6,292,389**	4,774,120	**6,058,639**	4,635,863

32. TRADE AND OTHER PAYABLES

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

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

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

34. AMOUNTS DUE TO SUBSIDIARIES

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

35. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

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

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

36. SHARE CAPITAL

	THE COMPANY			
	2013		2012	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year	**8,172,519**	**817,252**	8,172,519	817,252
Issue of shares upon exercise of share options	**97**	**10**	–	–
At end of the year	**8,172,616**	**817,262**	8,172,519	817,252

36. SHARE CAPITAL *(continued)*

Share option scheme

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

36. SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

36. SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

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

	Number of shares under options granted		
	Outstanding at 1 January	Movements during the year — Reclassified *(Note)*	Outstanding at 31 December
2013	**1,359,334**	**(1,359,334)**	**–**
2012	1,359,334	–	1,359,334

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

37. RESERVES OF THE COMPANY

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY						
At 1 January 2012	18,796,072	18,798	519	1,213,544	2,889,863	22,918,796
Profit and total comprehensive income for the year	–	–	–	(30,694)	3,913,647	3,882,953
2011 final dividend paid	–	–	–	–	(1,634,504)	(1,634,504)
2012 interim dividend paid	–	–	–	–	(1,389,328)	(1,389,328)
At 31 December 2012	18,796,072	18,798	519	1,182,850	3,779,678	23,777,917
Profit and total comprehensive income for the year	–	–	–	786,192	3,633,463	4,419,655
Issue of shares upon exercise of share options	118	–	(19)	–	–	99
2012 final dividend paid	–	–	–	–	(1,961,428)	(1,961,428)
2013 interim dividend paid	–	–	–	–	(1,471,071)	(1,471,071)
At 31 December 2013	**18,796,190**	**18,798**	**500**	**1,969,042**	**3,980,642**	**24,765,172**

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

38. BANK BORROWINGS

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

38. BANK BORROWINGS *(continued)*

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

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

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

39. GUARANTEED NOTES PAYABLE

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

39. GUARANTEED NOTES PAYABLE *(continued)*

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

40. DEFERRED TAX

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

Deferred tax liabilities (assets)

	THE GROUP						
	Accelerated tax depreciation	Revaluation of properties	Fair value adjustment on properties	Undistributed earnings of PRC subsidiaries and joint ventures	Provision for LAT	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As 1 January 2012	43,029	1,882,283	–	362,371	(1,844,924)	9,895	452,654
Charged (credited) to profit or loss	1,992	736,201	–	6,534	(232,856)	(9,895)	501,976
Exchange realignment	–	(968)	–	(51)	4,128	–	3,109
At 31 December 2012	45,021	2,617,516	–	368,854	(2,073,652)	–	957,739
Acquisition of subsidiaries (note 41)	–	–	791,606	–	–	–	791,606
Charged (credited) to profit or loss	3,326	817,399	(228,918)	32,544	(134,958)	–	489,393
Reclassification upon transfer from completed properties to investment properties	–	55,903	(55,903)	–	–	–	–
Exchange realignment	–	94,763	23,655	–	(68,481)	–	49,937
At 31 December 2013	**48,347**	**3,585,581**	**530,440**	**401,398**	**(2,277,091)**	**–**	**2,288,675**

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

40. DEFERRED TAX *(continued)*

Deferred tax liabilities (assets) *(continued)*

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

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

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$2,053 million (2012: HK$1,393 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of approximately HK$5,310 million (2012: HK$5,229 million) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$815 million (2012: HK$697 million) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company had unused tax losses of approximately HK$234 million (2012: HK$272 million) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams and may be carried forward indefinitely.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

41. ACQUISITION OF SUBSIDIARIES

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

41. ACQUISITION OF SUBSIDIARIES *(continued)*

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

42. GOODWILL

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Carrying amounts	**109,021**	109,021

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

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

43. OPERATING LEASE COMMITMENT

The Group as lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of approximately HK$19,669 million (2012: HK$16,059 million) and approximately HK$15 million (2012: HK$41 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK$858 million (2012: HK$585 million), of which approximately HK$832 million (2012: HK$576 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to eighteen years without termination options granted to tenants.

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

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**783,350**	700,660
In the second to fifth year inclusive	**1,152,685**	1,102,794
After five years	**89,074**	67,839
	2,025,109	1,871,293

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

43. OPERATING LEASE COMMITMENT *(continued)*

The Group and the Company as lessees

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

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

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

44. CAPITAL COMMITMENT

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

Capital expenditure in respect of investment properties

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

45. CONTINGENT LIABILITIES

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

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

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

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

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

Other than the guarantees provided by the Company as mentioned in items (a) and (c), the directors of the Company considered that the fair values of financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

46. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

(d) Interest income is charged at interest rates as specified in note 30 on the outstanding amounts.

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

(f) Property management income is charged at rates in accordance with respective contracts.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

46. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

46. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and notes 23, 30, 33 and 35. The details of the Company's amounts due from and to related parties are disclosed in the Company's statement of financial position and notes 24 and 34.

47. EVENT AFTER THE REPORTING PERIOD

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2013 which, in the opinion of the directors of the Company, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Advocate Properties Limited	100,000 shares of HK$1 each	–	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	–	100	Property investment
China Overseas Building Management Limited	100 shares of HK$1 each	–	100	Real estate management
China Overseas Finance (Cayman) II Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
China Overseas Finance (Cayman) III Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
China Overseas Finance (Cayman) IV Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
China Overseas Finance (Cayman) V Limited(vi)	1 share of US$1	100	–	Issuance of guaranteed notes payable
China Overseas Property Agency Limited	2 shares of HK$1 each	–	100	Real estate agency
China Overseas Property Limited	100 shares of HK$10 each	100	–	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	–	100	Investment holding
China Overseas Property Investment Limited	10,000 shares of HK$1 each	–	100	Property investment
China Overseas Property Services Limited	10 shares of HK$10 each	–	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited(i)	1 share of US$1	100	–	Investment holding
China Overseas Security Services Limited	2 shares of HK$1 each	–	100	Provision of security services
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	–	100	Investment holding
China Super Group Limited(i)	1 share of US$1	–	100	Investment holding
Chinatone Industrial Limited	1 share of HK$1	–	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	–	Loan financing, investment holding and security investments
Classic China Products Limited	10,000 shares of HK$100 each	–	100	Investment holding
Goodrich Company Limited(vii)	MOP25,000	–	100	Property development
Elite Way International Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Entrepot Limited	100 shares of HK$1 each	–	100	Property development
Further Good Development Limited	100 shares of HK$1 each	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Grand Shine Development Limited	1 share of HK$1	100	–	Investment holding
Gain Direct Limited[i]	1 share of US$1	–	100	Investment holding
Gain Regent Company Limited	2 shares of HK$1 each	–	100	Property development
Gold Jade International Holdings Limited	1 share of HK$1	–	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	–	100	Property development, trading and investment
Great Sky Property Investment Company Limited[vii]	MOP25,000	–	100	Property development
Great Trend Investment Limited	10,000 shares of HK$1 each	–	100	Investment holding
Hainan Ruler Limited[i]	1 share of US$1	100	–	Investment holding
Hua Yi Design Consultants Limited	1,000,000 shares of HK$1 each	100	–	Design consultancy services and investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited[vii]	MOP1,000,000	–	100	Property development
Kee Yet Company Limited	2 shares of HK$1 each	–	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	–	100	Investment holding
Longcross Limited	30,370,000 shares of HK$1 each	–	100	Property investment
Macfull Limited	1,000 shares of HK$1 each	–	60	Property development
Macwan Limited	10 shares of HK$1 each	–	70	Property development
Macyat Limited	10,000 shares of HK$1 each	–	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	–	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	–	100	Property development
Mepork Services Limited	100 shares of HK$1 each	–	100	Provision of building cleaning, maintenance and security services
Ocean Group Limited	2 shares of HK$1 each	–	100	Property investment
Omar Property Development Company Limited[vii]	MOP26,000	–	85	Property development
On Success Development Limited	10,000 shares of HK$1 each	–	100	Property investment
Peak Top Enterprises Limited[i]	1 share of US$1	–	100	Investment holding
Proud Sea International Limited[i]	10 shares of US$1 each	90	–	Investment holding
Right Max Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Seawave Company Ltd[i]	1 share of US$1	–	100	Investment holding
Splendid Return Limited[i]	50,000 shares of US$1 each	–	100	Investment holding
Total Wonder Limited[i]	1 share of US$1	–	100	Investment holding
Treasure Trinity Limited[i]	1 share of US$1	–	100	Investment holding
Wealth Faith Developments Limited[i]	1 share of US$1	–	100	Investment holding
Wealth Join Development Limited	1 share of HK$1 each	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Widenews Company Limited ("Widenews")	2 shares of HK$1 each(iii)	–	100	Property development and investment holding
Winwhole Development Limited	100 shares of HK$1 each	–	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	–	100	Investment holding
中海發展(上海)有限公司(iii)	US$17,000,000	–	100	Property development and trading
中海地產諮詢(上海)有限公司(iii)	US$500,000	–	100	Real estate agency and investment holding
上海萬和房地產有限公司(iv)	US$43,340,000	–	95	Property development
上海新海匯房產有限公司(iv)	US$40,000,000	–	99.5	Property development
上海中海房地產有限公司(v)	RMB10,000,000	–	100	Property development
上海錦港房地產發展有限公司(v)	RMB20,000,000	–	100	Property development
上海中海海怡房地產有限公司(v)	RMB20,000,000	–	100	Property development
上海中海海富房地產有限公司(v)	RMB10,000,000	–	100	Property development
上海中海海容房地產有限公司(v)	RMB10,000,000	–	100	Property development
大連中海地產有限公司(v)	RMB20,000,000	–	100	Property development
大連中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
中海東豐地產(大連)有限公司(iii)	RMB880,000,000	–	100	Property development
中海新海匯(大連)置業有限公司(v)	RMB20,000,000	–	100	Property development
中山市中海房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
中海興業(西安)有限公司(iii)	US$60,000,000	–	100	Property development
中海鼎盛(西安)房地產有限公司(iii)	RMB2,000,000,000	–	100	Property development
中海鼎業(西安)房地產有限公司(iii)	RMB1,570,500,000	–	100	Property development
中海發展(蘇州)有限公司(iii)	US$50,000,000	–	100	Property development
中海地產(蘇州)有限公司(iii)	US$50,000,000	–	100	Property development
中海英奧置業(蘇州)有限公司(iii)	US$99,000,000	–	100	Property development
中海海盛(蘇州)房地產有限公司(v)	RMB30,000,000	–	100	Property development
中海海通(蘇州)房地產有限公司(v)	RMB20,000,000	–	100	Property development
中海海潤(蘇州)房地產有限公司(v)	RMB30,000,000	–	100	Property development
中海海納(蘇州)房地產有限公司(v)	RMB445,000,000	–	100	Property development
中海興業(寧波)有限公司(iii)	US$33,000,000	–	100	Property development
寧波中海創城有限公司(v)	RMB2,600,000,000	–	100	Property development
寧波中海海興置業有限公司(v)	RMB20,000,000	–	100	Property development
寧波中海海尚置業有限公司(v)	RMB20,000,000	–	100	Property development
天津中海嘉業投資有限公司(v)	RMB30,000,000	–	100	Property development
天津中海地產有限公司(v)	RMB30,000,000	–	100	Property development
北京中海地產有限公司(v)	RMB50,000,000	–	100	Property development
北京中海豪庭房地產開發有限公司(v)	RMB10,000,000	–	100	Property development
北京中海豪峰房地產開發有限公司(v)	RMB50,000,000	–	100	Property development
北京中海廣場置業有限公司(v)	RMB30,000,000	–	100	Property development
北京中海海洋花園房地產開發有限公司(iv)	US$11,920,000	–	72	Property development
北京嘉益德房地產開發有限公司(v)	RMB50,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
南京中海滿高房地產開發有限公司(ii)	RMB315,000,000	–	100	Property development
中海地產重慶有限公司(v)	RMB670,000,000	–	100	Property development
重慶中工建設有限公司(v)	RMB50,000,000	–	100	Property development
香港華藝設計顧問(深圳)有限公司(ii)	RMB12,000,000	–	100	Design consultancy services
北京中海華藝城市規劃設計有限公司(v)	RMB1,000,000	–	90	Design consultancy services
中海地產(珠海)有限公司(iii)	RMB405,000,000	–	100	Property development
珠海市嘉業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
珠海市永福通房地產開發有限公司 (formerly known as 珠海市永福通諮詢服務有限公司)(v)	RMB20,000,000	–	100	Property development
廣逸房地產開發(珠海)有限公司(iv)	HK$1,200,000,000	–	100	Property development
珠海市海利達諮詢服務有限公司(v)	RMB100,000	–	100	Property development
珠海市啟光諮詢服務有限公司(v)	RMB100,000	–	100	Property development
珠海經濟特區卓運房產有限公司(v)	RMB10,000,000	–	100	Property development
中海地產集團有限公司(iii)	RMB10,000,000,000	–	100	Property development, trading and investment and investment holding
深圳中海地產有限公司(iv)	HK$50,000,000	–	100	Property development
深圳市中海海景山莊物業發展有限公司(v)	RMB10,000,000	–	60	Property development
深圳市中海日輝台物業發展有限公司(v)	RMB41,791,108	–	100	Property development
中海寶松物業發展(深圳)有限公司(ii)	HK$262,500,000	–	100	Property development
深圳市龍富房地產開發有限公司(v)	RMB150,000,000	–	100	Property development
深圳市中海聖廷苑酒店有限公司 (formerly known as深圳市斯特沃德酒店管理有限公司)(v)	RMB5,000,000	–	100	Hotel management
廈門中海地產有限公司(v)	RMB20,000,000	–	100	Property development
廈門海合美地產有限公司(v)	RMB10,000,000	–	51	Property development
昆明中海房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
雲南中海城投房地產開發有限公司(v)	RMB10,000,000	–	65	Property development
煙臺中海地產有限公司(v)	RMB10,000,000	–	100	Property development
中海鼎業(煙臺)地產有限公司(iii)	RMB300,000,000	–	100	Property development
中海發展(廣州)有限公司(iii)	US$21,000,000	–	100	Investment holding, property development, building construction and project management
廣州中海名都房地產發展有限公司(ii)	RMB400,000,000	–	100	Property development
廣州中海地產有限公司(v)	RMB100,000,000	–	100	Property development
廣州瑾熙房地產投資諮詢有限公司 (formerly known as 廣州良寶房地產投資諮詢有限公司)(iii)	RMB1,000,000	–	100	Property development
廣州廣奧房地產發展有限公司(v)	RMB10,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
廣州毅源房地產開發有限公司(v)	RMB10,000,000	–	90	Property development
廣州世佳房地產開發有限公司(v)	RMB10,000,000	–	90	Property development
濟南中海地產有限公司(ii)	US$98,000,000	–	100	Property development
濟南中海地產投資有限公司(v)	RMB50,000,000	–	100	Property development
濟南中海興業房地產開發有限公司(v)	RMB20,000,000	–	100	Property development
濟南中海城房地產開發有限公司(v)	RMB30,000,000	–	100	Property development
哈爾濱中海地產有限公司(v)	RMB20,000,000	–	100	Property development
中海興業武漢房地產有限公司(v)	RMB20,000,000	–	100	Property development
太原冠澤置業有限公司(v)	RMB200,000,000	–	95	Property development
上海中海物業管理有限公司(ii)	US$610,000	–	100	Real estate management
深圳市中海電梯工程有限公司(v)	RMB5,000,000	–	100	Real estate management
深圳市中海樓宇科技有限公司(v)	RMB5,000,000	–	100	Real estate management
深圳市中海社區環境工程有限公司(v)	RMB2,000,000	–	100	Real estate management
北京中海物業管理有限公司(v)	RMB5,000,000	–	100	Real estate management
成都中海物業管理有限公司(v)	RMB3,000,000	–	100	Real estate management
長春中海物業管理有限公司(v)	RMB1,000,000	–	100	Real estate management
中海物業管理廣州有限公司(v)	RMB15,800,000	–	100	Investment holding and real estate management

(i) Incorporated in the British Virgin Islands
(ii) Foreign investment enterprise registered in the PRC
(iii) Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.
(iv) Joint stock limited company established in the PRC
(v) Limited liability company registered in the PRC
(vi) Incorporated in the Cayman Islands
(vii) Incorporated in Macau

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

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 133 to 226, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

Independent Auditor's Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Turnover	7	**119,996,980**	82,469,081
Cost of sales		**(78,581,080)**	(53,182,545)
Direct operating expenses		**(2,178,234)**	(2,464,519)
		39,237,666	26,822,017
Other income and gains, net	9	**1,577,511**	904,461
Gain arising from changes in fair value of investment properties	16	**5,168,984**	3,438,106
Selling and distribution costs		**(1,676,000)**	(1,247,262)
Administrative expenses		**(1,894,168)**	(1,569,769)
Operating profit		**42,413,993**	28,347,553
Fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions	41	**–**	1,458,176
Share of profits of			
Associates		**499,035**	838,117
Joint ventures		**1,099,877**	2,935,195
Finance costs	10	**(345,544)**	(290,363)
Profit before tax		**43,667,361**	33,288,678
Income tax expenses	11	**(15,462,002)**	(10,109,752)
Profit for the year	12	**28,205,359**	23,178,926
Attributable to:			
Owners of the Company		**27,680,160**	23,043,712
Non-controlling interests		**525,199**	135,214
		28,205,359	23,178,926
		HK$	*HK$*
EARNINGS PER SHARE	14		
Basic		**3.39**	2.82
Diluted		**3.39**	2.81
		HK$'000	*HK$'000*
DIVIDENDS	15		
Interim dividend paid		**1,634,795**	1,471,071
Final dividend proposed		**2,860,891**	2,370,059
		4,495,686	3,841,130

Group turnover	**119,996,980**	82,469,081
Share of turnover of joint ventures	**8,137,387**	18,003,412
	128,134,367	100,472,493

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

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

Consolidated Statement of Financial Position

At 31 December 2014

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

Consolidated Statement of Financial Position (continued)

At 31 December 2014

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

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

Hao Jian Min
DIRECTOR

Xiao Xiao
DIRECTOR

Company Statement of Financial Position

At 31 December 2014

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

Hao Jian Min
DIRECTOR

Xiao Xiao
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$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
THE GROUP												
At 1 January 2013	817,252	18,796,072	18,798	519	22,950	18,325	7,886,984	1,838,624	57,844,615	87,244,139	312,817	87,556,956
Profit for the year	–	–	–	–	–	–	–	–	23,043,712	23,043,712	135,214	23,178,926
Exchange differences on translation of the Company and its subsidiaries	–	–	–	–	–	–	2,556,045	–	–	2,556,045	26,321	2,582,366
Exchange differences on translation of joint ventures	–	–	–	–	–	–	417,860	–	–	417,860	–	417,860
Exchange differences on translation of associates	–	–	–	–	–	–	140,679	–	–	140,679	–	140,679
Change in fair value of investments in syndicated property project companies	–	–	–	–	–	538	–	–	–	538	–	538
Total comprehensive income for the year	–	–	–	–	–	538	3,114,584	–	23,043,712	26,158,834	161,535	26,320,369
2012 final dividend paid	–	–	–	–	–	–	–	–	(1,961,428)	(1,961,428)	–	(1,961,428)
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	785,934	785,934
Issue of shares upon exercise of share options	10	118	–	(19)	–	–	–	–	–	109	–	109
2013 interim dividend paid	–	–	–	–	–	–	–	–	(1,471,071)	(1,471,071)	–	(1,471,071)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(134,274)	(134,274)
Release of exchange reserve upon liquidation of subsidiaries	–	–	–	–	–	–	(206,856)	–	206,856	–	–	–
Return of capital to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(46,199)	(46,199)
Release of exchange reserve of joint ventures upon acquisitions	–	–	–	–	–	–	(299,473)	–	299,473	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	222,014	(222,014)	–	–	–
At 31 December 2013	817,262	18,796,190	18,798	500	22,950	18,863	10,495,239	2,060,638	77,740,143	109,970,583	1,079,813	111,050,396
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,680,160**	**27,680,160**	**525,199**	**28,205,359**
Exchange differences on translation of the Company and its subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(242,969)**	**–**	**–**	**(242,969)**	**(687)**	**(243,656)**
Exchange differences on translation of joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**(55,289)**	**–**	**–**	**(55,289)**	**–**	**(55,289)**
Exchange differences on translation of associates	**–**	**–**	**–**	**–**	**–**	**–**	**(17,139)**	**–**	**–**	**(17,139)**	**–**	**(17,139)**
Change in fair value of investments in syndicated property project companies	**–**	**–**	**–**	**–**	**–**	**1,966**	**–**	**–**	**–**	**1,966**	**–**	**1,966**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,966**	**(315,397)**	**–**	**27,680,160**	**27,366,729**	**524,512**	**27,891,241**
Transfer on 3 March 2014 *(note 36)*	**18,814,988**	**(18,796,190)**	**(18,798)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2013 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,370,453)**	**(2,370,453)**	**–**	**(2,370,453)**
Contributions from non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,925,453**	**1,925,453**
Issue of shares upon exercise of share options	**1,781**	**–**	**–**	**(262)**	**–**	**–**	**–**	**–**	**–**	**1,519**	**–**	**1,519**
Share options expired	**–**	**–**	**–**	**(238)**	**–**	**–**	**–**	**–**	**238**	**–**	**–**	**–**
2014 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,634,795)**	**(1,634,795)**	**–**	**(1,634,795)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(43,008)**	**(43,008)**
Release of exchange reserve upon liquidation of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(619)**	**–**	**619**	**–**	**–**	**–**
Return of capital to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,658)**	**(12,658)**
Transfer to PRC statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**813,797**	**(813,797)**	**–**	**–**	**–**
At 31 December 2014	**19,634,031**	**–**	**–**	**–**	**22,950**	**20,829**	**10,179,223**	**2,874,435**	**100,602,115**	**133,333,583**	**3,474,112**	**136,807,695**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTE	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**43,667,361**	33,288,678
Adjustments for:			
Share of profits of associates		**(499,035)**	(838,117)
Share of profits of joint ventures		**(1,099,877)**	(2,935,195)
Finance costs		**345,544**	290,363
Depreciation and amortisation		**115,452**	109,401
Interest income		**(494,969)**	(659,354)
Gain arising from changes in fair value of investment properties		**(5,168,984)**	(3,438,106)
Fair value remeasurement of the Group's previously held equity interest in certain joint ventures immediately prior to acquisitions		**–**	(1,458,176)
Loss on disposals of property, plant and equipment		**263**	277
Operating cash flows before movements in working capital		**36,865,755**	24,359,771
Increase in inventories		**(35,146)**	(3,910)
Increase in stock of properties		**(14,777,482)**	(22,902,653)
Decrease/(increase) in land development expenditure		**1,966,539**	(35,312)
Increase in trade and other receivables, deposits and prepayments		**(5,318,811)**	(570,289)
Increase in deposits for land use rights for property development		**(11,520,380)**	(19,405,073)
(Increase)/decrease in restricted bank balances		**(442,952)**	496,666
(Decrease)/increase in trade and other payables, pre-sales deposits, and rental and other deposits		**(176,594)**	17,715,345
Cash generated from/(used in) operations		**6,560,929**	(345,455)
Income taxes paid		**(11,124,334)**	(9,741,021)
NET CASH USED IN OPERATING ACTIVITIES		**(4,563,405)**	(10,086,476)
INVESTING ACTIVITIES			
Interest received		**494,969**	659,354
Dividends received from joint ventures		**1,765,337**	1,749,584
Decrease/(increase) in pledged bank deposits		**695**	(16,743)
Purchase of property, plant and equipment		**(105,820)**	(482,050)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	41	**–**	(822,934)
Additions of investment properties		**(5,246,907)**	(4,094,498)
Advances to an associate		**(37,827)**	–
Repayment from joint ventures		**1,203,769**	1,407,919
Advances to non-controlling interests		**(457,076)**	(72,350)
Capital contributions to a joint venture		**(122,578)**	(31,529)
Capital distribution from a joint venture		**–**	528,446
Dividends received from associates		**86,948**	95,337
Net proceeds on disposals of property, plant and equipment		**11,102**	18,628
NET CASH USED IN INVESTING ACTIVITIES		**(2,407,388)**	(1,060,836)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2014

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

Notes to the Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's parent company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong, and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC and the PRC government is a substantial shareholder of CSCEC. The registered office and principal place of business of the Company is situated at 10th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shanghai, Beijing, Foshan, Chengdu, Nanjing, Suzhou and other regions in the PRC.

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

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

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

[1] *Effective for annual periods beginning on or after 1 July 2014*
[2] *Effective for annual periods beginning on or after 1 January 2016*
[3] *Effective for annual periods beginning on or after 1 January 2017*
[4] *Effective for annual periods beginning on or after 1 January 2018*

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

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

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

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business Combinations *(continued)*

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

Investments in Subsidiaries

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

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

Interests in Associates

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in Joint Ventures

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment Properties

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on Tangible and Intangible Assets other than Goodwill

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

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

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

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

Financial Instruments

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

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

Financial Assets

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

Effective interest method

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*
Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, associates, joint ventures and non-controlling interests, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets (comprising investments in syndicated property project companies) are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

Financial Guarantee Contracts

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

Derecognition

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

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

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Stock of Properties

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing Costs

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

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

Foreign Currencies

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessor

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

The Group and the Company as lessees

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold Land and Building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Retirement Benefit Costs

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Property development

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

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

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

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

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

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

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

Property Rentals

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

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

Real Estate Agency, Management Services and Building Design Consultancy Services
Revenue from the provision of real estate agency, management services and building design consultancy services is recognised when services are provided.

Dividend Income
Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest Income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Dividend Distribution

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Fair Value of Investment Properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2014 at their fair values of approximately HK$44,755 million (2013: HK$32,532 million). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2014 is stock of properties with an aggregate carrying amount of approximately HK$194,956 million (2013: HK$160,952 million). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

(d) Land Appreciation Tax ("LAT")

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes bank borrowings and guaranteed notes payable disclosed in notes 38 and 39, respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, other reserves and retained profits.

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

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

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

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

Note: Bank balances and cash include pledged bank deposits.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

a. Categories of financial instruments

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

b. Financial risk management objectives and policies

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank loans, amounts due from joint ventures and amounts due to non-controlling interests, amounting to approximately HK$41,519 million (2013: HK$40,011 million), approximately HK$764 million (2013: HK$764 million) and nil (2013: HK$622 million), respectively. The Company's cash flow interest rate risk relates to its variable-rate bank loans amounting to approximately HK$29,356 million (2013: HK$31,248 million). The variable-rate bank loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank loans, amounts due from joint ventures, the guaranteed notes payable, and amounts due to non-controlling interests, amounting to approximately HK$4,835 million (2013: nil), approximately HK$456 million (2013: HK$458 million), approximately HK$48,177 million (2013: HK$32,688 million) and approximately HK$661 million (2013: HK$220 million), respectively. The Company's fair value interest rate risk relates primarily to its corresponding fixed-rates amounts due from subsidiaries and bank loans amounting to nil (2013: HK$2,264 million) and approximately HK$4,835 million (2013: nil), respectively. Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

THE GROUP

If interest rates had been 100 (2013: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax ended 31 December 2014 would decrease/increase by HK$38,348,000 (2013: HK$48,453,000) after capitalising finance costs in properties under development and investment properties under construction of HK$369,205,000 (2013: HK$350,235,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans, amounts due from joint ventures and amounts due to non-controlling interests.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk *(continued)*

Interest rate risk sensitivity analysis (continued)

THE COMPANY

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

Currency risk

The Group and the Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK$-denominated bank borrowings and US$-denominated guaranteed notes in aggregate account for 82.0% of the Group's interest-bearing debts, therefore, the Group shall pay attention to the foreign exchange risk arising from RMB depreciation. As the Group considers that RMB is exposed to risk of depreciation in the short term but would appreciate in the medium-term, the foreign exchange risk would not be high. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

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

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
HK$	**1,341,755**	3,983,058	**6,840,004**	7,954,306
United States dollars ("US$")	**8,255,653**	9,136,299	**2,112,233**	6,058,639
Liabilities				
HK$	**29,237,538**	30,998,339	**34,640,873**	30,789,857
US$	**49,125,836**	33,504,317	**503,182**	501,025

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk *(continued)*

Currency risk sensitivity analysis

The Group and the Company mainly exposes to the currency of US$ and HK$. The following details the Group's and the Company's sensitivity to a 5% (2013: 5%) increase and decrease in the RMB against US$ and HK$, respectively. 5% (2013: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, receivables, payables, bank borrowings and guaranteed notes payable in currencies other than the functional currencies of the group entities. Certain guaranteed notes payables denominated in US$ expose to foreign currency exchange rate risk against HK$. As HK$ is pegged to US$, management considered the foreign currency exchange risk exposed to these US$ guaranteed notes payable is insignificant.

THE GROUP

For a 5% (2013: 5%) decrease/increase of RMB against the US$ or HK$ and all other variables were held constant, the Group's profit before tax ended 31 December 2014 would decrease/increase by HK$241,381,000 (2013: HK$219,112,000) after capitalising of exchange gain/loss in properties under development and investment properties under construction of HK$2,323,977,000 (2013: HK$1,583,810,000). This is mainly attributable to the Group's exposure to outstanding bank balances, receivables, payables, bank borrowings and guaranteed notes payable at the end of the reporting period.

THE COMPANY

For a 5% (2013: 5%) decrease/increase of RMB against the US$ or HK$ and all other variables were held constant, the Company's profit before tax for the year ended 31 December 2014 would decrease/increase by HK$1,309,591,000 (2013: HK$863,897,000). This is mainly attributable to the Company's exposure to outstanding bank balances, receivables, payables and bank borrowings at the end of the reporting period.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

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

(ii) Credit risk

As at 31 December 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

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

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 45.

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk

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

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

The following table analyses the contractual undiscounted cash flows of the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amounts are derived from flat rates at the end of the reporting period. The undiscounted amounts are subject to changes if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

THE GROUP

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk *(continued)*
THE GROUP *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Liquidity risk *(continued)*

THE COMPANY

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2014						
Other payables	**48,224**	**–**	**–**	**–**	**48,224**	**48,224**
Amounts due to subsidiaries	**31,477,714**	**–**	**–**	**–**	**31,477,714**	**31,477,714**
Bank borrowings	**18,929,142**	**5,103,741**	**11,276,487**	**–**	**35,309,370**	**34,191,059**
Financial guarantee contracts	**3,023,197**	**5,068,449**	**13,099,561**	**38,759,000**	**59,950,207**	**669,123**
	53,478,277	**10,172,190**	**24,376,048**	**38,759,000**	**126,785,515**	**66,386,120**

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2013						
Other payables	43,064	–	–	–	43,064	43,064
Amounts due to subsidiaries	17,766,070	–	–	–	17,766,070	17,766,070
Bank borrowings	3,001,956	18,225,823	11,233,266	–	32,461,045	31,247,818
Financial guarantee contracts	1,165,516	3,832,018	12,974,722	23,265,000	41,237,256	569,234
	21,976,606	22,057,841	24,207,988	23,265,000	91,507,435	49,626,186

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

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

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

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

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

Other than the guaranteed notes payable that is disclosed in note 39, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statements of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THE GROUP

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

7. TURNOVER

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

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

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

8. SEGMENT INFORMATION

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

Property development – proceeds from property development activities

Property investment – property rentals

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8. SEGMENT INFORMATION *(continued)*

Segment turnover and results

The following is an analysis of the Group's turnover and results and the Group's share of turnover and results of joint ventures by reportable segments.

Year ended 31 December 2014

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

Year ended 31 December 2013

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8. SEGMENT INFORMATION *(continued)*

Segment turnover and results *(continued)*

Reconciliation of reportable segment profit to the consolidated profit before tax

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

Segment profit includes profits from subsidiaries, share of profits of joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of interest income on bank deposits, fair value remeasurement of the Group's previously held equity interests in certain joint ventures immediately prior to acquisitions, corporate expenses, finance costs and net foreign exchange (losses)/gains. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

At 31 December 2014

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Segments total *HK$'000*
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	**252,838,632**	**44,834,829**	**2,048,255**	**299,721,716**
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	**(112,034,518)**	**(5,516,575)**	**(2,045,995)**	**(119,597,088)**

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

At 31 December 2013

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

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

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

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

Notes:

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8. SEGMENT INFORMATION *(continued)*

Other Segment information

Year ended 31 December 2014

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

Year ended 31 December 2013

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results and segment assets:				
Addition to non-current assets *(Note)*	435,312	4,094,498	46,738	4,576,548
Loss on disposal of property, plant and equipment	62	1	214	277
Depreciation and amortisation	34,884	3,574	70,943	109,401
Gain arising from changes in fair value of investment properties	–	3,438,106	–	3,438,106
Interest income on amounts due from joint ventures	121,065	–	–	121,065
Share of profits of associates	838,117	–	–	838,117

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

8. SEGMENT INFORMATION *(continued)*

Revenue from major products and services

An analysis of the Group's turnover for the year from its major products and services is set out in note 7.

Information about geographical areas

The Group's property development, property investment and other operations are carried out in Hong Kong, Macau and other regions in the PRC. The following table provides an geographical analysis of the Group's turnover from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

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

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

Information about major customers

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

9. OTHER INCOME AND GAINS, NET

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

10. FINANCE COSTS

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

11. INCOME TAX EXPENSES

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

11. INCOME TAX EXPENSES *(continued)*

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2013: 25%).

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

Macau income tax is calculated at the prevailing tax rate of 12% (2013: 12%) in Macau.

Details of deferred tax are set out in note 40.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

12. PROFIT FOR THE YEAR

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

Note: The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost recognised in profit or loss of approximately HK$83 million (2013: HK$74 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

13. DIRECTORS' EMOLUMENTS

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

13. DIRECTORS' EMOLUMENTS *(continued)*

		Year ended 31 December 2013				
	Note	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonus HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Executive Directors						
Kong Qingping	*(i)*	–	4,438	–	10	4,448
Hao Jian Min		–	5,659	3,029	15	8,703
Xiao Xiao		–	5,397	2,951	15	8,363
Chen Yi	*(ii)*	–	484	2,724	–	3,208
Dong Daping	*(iii)*	–	256	–	–	256
Luo Liang		–	1,439	9,231	10	10,680
Nip Yun Wing		–	2,741	1,700	15	4,456
Guo Yong	*(iv)*	–	824	5,561	10	6,395
Kan Hongbo	*(iv)*	–	815	6,005	10	6,830
Non-executive Director						
Zheng Xuexuan		300	–	–	–	300
Independent Non-executive Directors						
Li Kwok Po, David	*(iii)*	76	–	–	–	76
Li Man Bun, Brian David	*(iv)*	284	–	–	–	284
Lam Kwong Siu		250	–	–	–	250
Wong Ying Ho, Kennedy		360	–	–	–	360
Fan Hsu Lai Tai, Rita		360	–	–	–	360
		1,630	22,053	31,201	85	54,969

Notes:

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

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

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

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

The performance related bonus was determined based on the Group's performance for the year.

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

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

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2014 and 31 December 2013.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

14. EARNINGS PER SHARE

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

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

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

15. DIVIDENDS

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

The final dividend of HK35 cents in respect of the financial year ended 31 December 2014 (2013: final dividend of HK29 cents in respect of the financial year ended 31 December 2013) per share, amounting to HK$2,860,891,000 (2013: HK$2,370,059,000) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES

	Completed		Under construction	
	The PRC	Hong Kong & Macau	The PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
FAIR VALUE				
At 1 January 2013	11,947,546	4,111,200	7,598,581	23,657,327
Additions of land cost and construction costs	–	–	4,094,498	4,094,498
Gain arising from changes in fair value of investment properties	1,698,013	159,500	1,580,593	3,438,106
Transfer upon completion	747,901	–	(747,901)	–
Transfer from completed properties	590,356	–	–	590,356
Exchange realignment	414,185	–	337,189	751,374
At 31 December 2013	15,398,001	4,270,700	12,862,960	32,531,661
Additions of land cost and construction costs	–	–	6,150,184	6,150,184
Gain arising from changes in fair value of investment properties	1,345,916	85,300	3,737,768	5,168,984
Transfer upon completion	8,624,667	–	(8,624,667)	–
Transfer from completed properties	983,641	–	–	983,641
Exchange realignment	(50,755)	–	(28,932)	(79,687)
At 31 December 2014	**26,301,470**	**4,356,000**	**14,097,313**	**44,754,783**

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES *(continued)*

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

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

Valuation processes of the Group

The fair values of the investment properties, including both land and building elements held by the Group at 31 December 2014 and 2013 have been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited.

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

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

At each financial year end the finance department:

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs

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

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

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

Information about fair value measurements using significant unobservable inputs

Description	**Fair value at 31 December 2014** *HK$'000*	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Investment properties under construction in the PRC	14,097,313	Residual method	Discount rate	5.6%–6.2%
			Estimated costs to completion	RMB2,000–RMB6,800 per square meter
			Estimated developer's profit	12.0%–28.0%
Completed investment properties in the PRC	26,301,470	Investment approach	Prevailing market rents	RMB100–RMB400 per square meter per month
			Reversionary yield	5.5%–9.0%
Completed investment properties in Hong Kong and Macau	4,356,000	Investment approach	Prevailing market rents	HK$25–HK$60 per square feet per month
			Reversionary yield	2.4%–5.0%

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES *(continued)*

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

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

Description	Fair value at 31 December 2013 *HK$'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	12,862,960	Residual method	Discount rate	5.6%–6.2%
			Estimated costs to completion	RMB1,900–RMB7,000 per square meter
			Estimated developer's profit	13.0%–27.0%
Completed investment properties in the PRC	15,398,001	Investment approach	Prevailing market rents	RMB100–RMB400 per square meter per month
			Reversionary yield	5.5%–9.0%
Completed investment properties in Hong Kong and Macau	4,270,700	Investment approach	Prevailing market rents	HK$25–HK$60 per square feet per month
			Reversionary yield	2.4%–5.0%

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

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

Estimated costs to completion and developer's profit required are estimated by the independent valuer based on market conditions at 31 December 2014 and 2013. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The lower the costs and developer's profits, the higher the fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Hotel building	Plant, machinery and equipment	Furniture, fixtures, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1 January 2013	205,873	622,599	93,167	310,165	1,231,804
Exchange realignment	3,587	22,586	1,979	8,002	36,154
Additions	399,812	–	10,992	71,246	482,050
Acquisition of subsidiaries (note 41)	–	–	43	3,900	3,943
Disposals	–	–	(637)	(38,065)	(38,702)
At 31 December 2013	609,272	645,185	105,544	355,248	1,715,249
Exchange realignment	(504)	(2,548)	(234)	(906)	(4,192)
Additions	30,800	–	4,404	70,616	105,820
Disposals	–	–	(1,194)	(27,296)	(28,490)
At 31 December 2014	639,568	642,637	108,520	397,662	1,788,387
DEPRECIATION					
At 1 January 2013	44,838	–	42,281	168,823	255,942
Exchange realignment	1,236	642	333	4,274	6,485
Provided for the year	13,596	31,464	7,815	48,548	101,423
Eliminated on disposals	–	–	(407)	(19,390)	(19,797)
At 31 December 2013	59,670	32,106	50,022	202,255	344,053
Exchange realignment	(113)	(76)	(40)	(478)	(707)
Provided for the year	19,941	31,945	6,642	48,812	107,340
Eliminated on disposals	–	–	(216)	(16,909)	(17,125)
At 31 December 2014	79,498	63,975	56,408	233,680	433,561
CARRYING VALUES					
At 31 December 2014	**560,070**	**578,662**	**52,112**	**163,982**	**1,354,826**
At 31 December 2013	549,602	613,079	55,522	152,993	1,371,196

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

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

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
In Hong Kong		
Long-term lease	**977**	1,038
Medium-term leases	**359,130**	369,410
In the PRC		
Medium-term leases	**778,625**	792,233
	1,138,732	1,162,681

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

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

18. PREPAID LEASE PAYMENTS FOR LAND

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

19. INVESTMENTS IN SUBSIDIARIES

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

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

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Cost of investments		
Listed in Hong Kong	**2,862,287**	2,862,287
Unlisted	**97,131**	97,131
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,931,622**	1,536,674
	4,891,040	4,496,092
Market value of the interest in the listed associate	**3,414,800**	6,404,917

Set out below are the particulars of the principal associates at 31 December 2014 and 2013 in the opinion of the directors of the Company, to give details of other associates would result in particulars of excessive length.

Name of entity	Place of incorporation	Place of operation	Proportion of issued ordinary capital/ registered capital indirectly held		Principal activities
			2014	2013	
COGO*	Hong Kong	PRC	**37.98%**	37.98%	Property development and investment and investment holding
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	PRC	**40%**	40%	Property development and trading

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES *(continued)*

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

Summarised statement of financial position

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

Summarised statement of comprehensive income

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES *(continued)*

Reconciliation of summarised financial information

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

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

Note: Profit before taxes, income tax expenses and profit for the year of COGO for the years ended 31 December 2013 have been adjusted for impact of fair value adjustments of stock of properties and related taxes recognised upon acquisition of COGO in 2010 and deemed disposal of COGO in 2011. Share of results of COGO, after fair value adjustments, amounting to HK$833,754,000 for the year ended 31 December 2013. No fair value adjustment is made for the year ended 31 December 2014.

Aggregate information of associates that are not individually material

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

21. INTERESTS IN JOINT VENTURES

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

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

Name of entity	Proportion of issued ordinary capital/ registered capital held by the Group		Principal activities
	2014	2013	
Elite Mind International Limited*	**60%^**	60%^	Investment holding
重慶嘉江房地產開發有限公司	**60%^**	60%^	Property development
Speedy Champ Investments Limited*	**45%^**	45%^	Investment holding
重慶豐盈房地產開發有限公司	**45%^**	45%^	Property development
Kingtron Enterprises Limited*	**50%**	50%	Investment holding
海墅房地產開發（杭州）有限公司	**50%**	50%	Property development
Fast Right Investments Limited*	**50%**	50%	Investment holding
杭州世茂世盈房地產開發有限公司	**50%**	50%	Property development
Empire Land Investments Limited*	**50%**	50%	Investment holding
重慶嘉益房地產開發有限公司	**50%**	50%	Property development
天津贏超房地產開發有限公司	**50%**	50%	Property development
Rebound Capital Limited**	**50%**	50%	Investment holding
冠泉企業有限公司*	**50%**	50%	Investment holding

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

21. INTERESTS IN JOINT VENTURES *(continued)*

Name of entity	Proportion of issued ordinary capital/ registered capital held by the Group 2014	2013	Principal activities
冠泉置業（寧波）有限公司	**50%**	50%	Property development
深圳中海信和地產開發有限公司	**50%**	50%	Property development
Big Profit Enterprises Limited **	**50%**	50%	Investment holding
上海中海海軒房地產有限公司	**50%**	50%	Property development
寧波中海和協置業發展有限公司	**50%**	50%	Property development
杭州中海雅戈爾房地產有限公司	**50%**	50%	Property development
山東中海華創地產有限公司	**60%^**	60%^	Property development
寧波茶亭置業有限公司	**35%^**	35%^	Property development
上海海創房地產有限公司	**50%**	50%	Property development
蘇州中海雅戈爾房地產有限公司	**51%^**	51%^	Property development
武漢榮業房地產有限公司	**50%**	50%	Property development
蘇州依湖置業有限公司	**50%**	50%	Property development
華潤置地（太原）發展有限公司	**50%**	50%	Property development

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

21. INTERESTS IN JOINT VENTURES *(continued)*

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

Aggregate information of joint ventures that are not individually material

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

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

22. INVESTMENTS IN SYNDICATED PROPERTY PROJECT COMPANIES

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

The investments represent the Group's interests in the following syndicated property project companies which are carried at fair value at the end of the reporting period as estimated by the directors of the Company by reference to the fair value of the properties held by these companies.

The syndicated property project companies are incorporated and operating in Hong Kong unless otherwise indicated.

Name of entity	**Attributable equity interests held by the Group %** **2014**	 2013	**Principal activities**
Direct Profit Development Limited	**8**	8	Property development
Dramstar Company Limited	**12**	12	Property development
Moricrown Ltd. *	**7**	7	Property development
Victory World Limited	**10**	10	Property development

* *Incorporated in the British Virgin Islands*

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

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

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

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

24. AMOUNTS DUE FROM SUBSIDIARIES

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

25. PLEDGED BANK DEPOSITS AND OTHER FINANCIAL LIABILITIES

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

Notes:

(a) The pledged bank deposits represent deposits pledged to banks to secure the mortgage loans granted by banks to the purchasers of the Group's properties. The deposits, which carry variable interest rate of 0.35% (2013: ranging from 0.35% to 0.50%) per annum will be released upon the settlement of the relevant mortgage loans.

(b) Details of the financial guarantee contracts are set out in note 45.

26. INVENTORIES

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Raw materials and consumables, at cost	**64,002**	28,906

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

27. STOCK OF PROPERTIES

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

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

28. LAND DEVELOPMENT EXPENDITURE

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

29. TRADE AND OTHER RECEIVABLES

Proceeds receivable in respect of properties development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from properties development and rental income from lease of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

The following is an aged analysis of trade and other receivables presented at the end of the reporting period:

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

31. BANK BALANCES AND CASH

Included in bank balances and cash in the consolidated statement of financial position are restricted bank deposits of HK$977,198,000 (2013: HK$535,463,000) which can only be applied in the designated property development projects.

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

All bank deposits of the Group carry interest at market rates which range from 0.01% to 6.00% (2013: 0.01% to 4.20%) per annum.

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

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash denominated in:				
HK$	**1,341,755**	3,983,075	**120,081**	3,500,872
US$	**6,360,140**	6,292,389	**2,112,233**	6,058,639

32. TRADE AND OTHER PAYABLES

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

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

Other payables mainly include other taxes payable and accrued charges.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

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

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

34. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand. At the end of the reporting period, the Company had amounts due to subsidiaries of HK$5,740,188,000 (2013: nil) denominated in HK$.

35. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

At 31 December 2014, amounts due to non-controlling interests amounting to HK$124,454,000 (2013: HK$220,277,000) under current liabilities are unsecured and bear interest at fixed rate at 7.07% (2013: at a range from 7.07% to 8.64%) per annum. The remaining balances are unsecured and interest free. At 31 December 2013, amounts due to non-controlling interests amounting to HK$621,944,000 under current liabilities are unsecured and bear interest at variable rates at a range from 5.60% to 7.20% per annum.

Amounts due to non-controlling interests of HK$536,599,000 (2013: nil) and HK$202,587,000 (2013: HK$581,634,000) under non-current liabilities carry interest at fixed rate of 8.00% (2013: nil) per annum and are interest free respectively. All the amounts due to non-controlling interests under non-current liabilities are unsecured and repayment will not be demanded within one year from the end of the reporting period.

36. SHARE CAPITAL

	THE COMPANY			
	2014		2013	
	Number of shares *'000*	***HK$'000***	Number of shares *'000*	*HK$'000*
Issued and fully paid				
At beginning of the year	**8,172,616**	**817,262**	8,172,519	817,252
Transfers from share premium and capital redemption reserve	**–**	**18,814,988**	–	–
Issue of shares upon exercise of share options	**1,360**	**1,781**	97	10
At end of the year	**8,173,976**	**19,634,031**	8,172,616	817,262

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

36. SHARE CAPITAL *(continued)*

Share option scheme

The Company's share option scheme (the "**Scheme**") was adopted pursuant to an ordinary resolution passed on 18 July 2002. The board of directors is authorised to grant options under the Scheme to any full-time employee, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives to directors of the Company and eligible employees to contribute further to the Company.

The Scheme shall be valid and effective for a period of 10 years, after which period no further options will be issued, and thereafter for so long as there are outstanding any unexercised options granted pursuant thereto and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Scheme. The last lot of option granted under this Scheme and unexercised has lapsed after 17 June 2014.

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

36. SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

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

Date of grant	Exercisable period	Adjusted exercise price per share HK$ (Note1)	Number of shares under options granted: Outstanding at 1 January 2014	Movements during the year: Exercised	Movements during the year: Lapsed (Note 2)	At 31 December 2014: Outstanding	At 31 December 2014: Exercisable	Weighted average closing price of shares immediately before the date of exercise HK$
18 June 2004	18 June 2005– 17 June 2014	1.118	2,718,668	(1,359,334)	(1,359,334)	–	–	20.43

Date of grant	Exercisable period	Adjusted exercise price per share HK$ (Note1)	Number of shares under options granted: Outstanding at 1 January 2013	Movements during the year: Exercised	At 31 December 2013: Outstanding	At 31 December 2013: Exercisable	Weighted average closing price of shares immediately before the date of exercise HK$
18 June 2004	18 June 2005– 17 June 2014	1.118	2,815,763	(97,095)	2,718,668	2,718,668	22.73

Note1: Following the issue of shares pursuant to the open offer in 2009, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the supplementary guidance issued by the Hong Kong Stock Exchange on 5 September 2005.

Note2: Lapsed after 17 June 2014.

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

	Number of shares under options granted: Outstanding at 1 January	Movements during the year — Reclassified (Note 3)	Outstanding at 31 December
2013	1,359,334	(1,359,334)	–

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

37. RESERVES OF THE COMPANY

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2013	18,796,072	18,798	519	1,182,850	3,779,678	23,777,917
Profit and total comprehensive income for the year	–	–	–	786,192	3,633,463	4,419,655
Issue of shares upon exercise of share options	118	–	(19)	–	–	99
2012 final dividend paid	–	–	–	–	(1,961,428)	(1,961,428)
2013 Interim dividend paid	–	–	–	–	(1,471,071)	(1,471,071)
At 31 December 2013	18,796,190	18,798	500	1,969,042	3,980,642	24,765,172
Transfer on 3 March 2014 *(Note 36)*	(18,796,190)	(18,798)	–	–	–	(18,814,988)
Profit and total comprehensive income for the year	–	–	–	(110,026)	4,048,084	3,938,058
Issue of shares upon exercise of share options	–	–	(262)	–	–	(262)
Share options expired	–	–	(238)	–	238	–
2013 final dividend paid	–	–	–	–	(2,370,453)	(2,370,453)
2014 interim dividend paid	–	–	–	–	(1,634,795)	(1,634,795)
At 31 December 2014	**–**	**–**	**–**	**1,859,016**	**4,023,716**	**5,882,732**

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

38. BANK BORROWINGS

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

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

Borrowings of the Group and the Company with carrying amount of HK$16,999,188,000 (2013: HK$8,763,673,000) and HK$4,835,416,000 (2013: nil) respectively bear interest at a range from 4.00% to 7.32% (2013: 6.15% to 6.77%) per annum and are denominated in Renminbi. Borrowing of the Group and the Company amounting to HK$503,182,000 (2013: HK$501,025,000), which is denominated in US$, is based on LIBOR plus a specified margin. The remaining borrowings of the Group and the Company amounting to HK$28,852,461,000 (2013: HK$30,746,793,000), which are denominated in Hong Kong dollars, are based on HIBOR plus a specified margin. The effective interest rates of the Group's and the Company's borrowings are 3.65% (2013: 2.80%) and 2.56% (2013: 1.96%) respectively per annum.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

39. GUARANTEED NOTES PAYABLE

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

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

The above notes payable are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which include, inter alia, the negative pledge given by the Company and the related subsidiaries. The fair values of the notes payable as at 31 December 2014 were determined based on the closing market prices of the notes payable at that date and are within level 1 of the fair value hierarchy.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

40. DEFERRED TAX

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

Deferred tax liabilities/(assets)

	THE GROUP					
	Accelerated tax depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Fair value adjustment on properties** *HK$'000*	**Undistributed earnings of PRC subsidiaries and joint ventures** *HK$'000*	**Provision for LAT** *HK$'000*	**Total** *HK$'000*
As 1 January 2013	45,021	2,617,516	–	368,854	(2,073,652)	957,739
Acquisition of subsidiaries *(note 41)*	–	–	791,606	–	–	791,606
Charged/(credited) to profit or loss	3,326	817,399	(228,918)	32,544	(134,958)	489,393
Reclassification upon transfer from completed properties to investment properties	–	55,903	(55,903)	–	–	–
Exchange realignment	–	94,763	23,655	–	(68,481)	49,937
At 31 December 2013	48,347	3,585,581	530,440	401,398	(2,277,091)	2,288,675
Charged/(credited) to profit or loss	1,052	1,315,843	(367,184)	(13,113)	(568,558)	368,040
Reclassification upon transfer from completed properties to investment properties	–	88,622	(88,622)	–	–	–
Exchange realignment	–	(10,162)	(2,519)	–	7,001	(5,680)
At 31 December 2014	**49,399**	**4,979,884**	**72,115**	**388,285**	**(2,838,648)**	**2,651,035**

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

40. DEFERRED TAX *(continued)*

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

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

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

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$3,025 million (2013: HK$2,053 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of approximately HK$5,357 million (2013: HK$5,310 million) available for offseting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$881 million (2013: HK$815 million) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company had unused tax losses of approximately HK$229 million (2013: HK$234 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams and may be carried forward indefinitely.

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

41. ACQUISITION OF SUBSIDIARIES

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

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

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

The Group re-measured its equity interests held in Xi'an Project Company, Qingdao Project Company and Shenyang Project Company immediately prior to the acquisition date at fair value amounting to approximately HK$4,710,175,000. As a result, a fair value remeasurement of approximately HK$1,458,176,000 was recognised in consolidated income statement for the year ended 31 December 2013.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

41. ACQUISITION OF SUBSIDIARIES *(continued)*

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

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

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

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

Had the acquisition of Popular Merit, Ring Tide and Novel Wisdom been effected at 1 January 2013, the Group's revenue for the year ended 31 December 2013 would have been approximately HK$82,469,081,000, and profit for the year ended 31 December 2013 would have been approximately HK$23,125,628,000.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

42. GOODWILL

	THE GROUP	
	2014	*2013*
	HK$'000	*HK$'000*
Carrying amounts	**109,021**	109,021

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

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

43. OPERATING LEASE COMMITMENT

The Group as lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of approximately HK$30,657 million (2013: HK$19,669 million) and approximately HK$236 million (2013: HK$15 million), respectively, were let out under operating leases.

Property rental income earned during the year is approximately HK$1,185 million (2013: HK$858 million), of which approximately HK$1,162 million (2013: HK$832 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to eighteen years without termination options granted to tenants.

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

	THE GROUP	
	2014	*2013*
	HK$'000	*HK$'000*
Within one year	**1,137,568**	783,350
In the second to fifth year inclusive	**1,541,972**	1,152,685
After five years	**397,829**	89,074
	3,077,369	2,025,109

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

43. OPERATING LEASE COMMITMENT *(continued)*

The Group and the Company as lessees

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

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

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

44. CAPITAL COMMITMENT

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

Capital expenditure in respect of investment properties:

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

45. CONTINGENT LIABILITIES

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

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

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

(b) At 31 December 2014, the Group and the Company had counter indemnities accounting to approximately HK$751 million (2013: HK$32 million) and approximately HK$714 million (2013: HK$8 million) respectively for guarantees issued in respect of certain construction contracts and property management contracts undertaken by the Group and the Company.

(c) The Group provided guarantees amounted to approximately HK$17,404 million (2013: HK$15,412 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(d) As disclosed in note 39, the Company also provided guarantee amounted to approximately HK$48,177 million (2013: HK$32,688 million) in respect of the guaranteed notes issued by subsidiaries of the Company.

Other than the guarantees provided by the Company as mentioned in item (a) and (d), the directors of the Company considered that the fair values of financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

46. PLEDGE OF ASSETS

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

47. RELATED PARTY TRANSACTIONS

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

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

Notes

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

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

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

(d) *Interest income is charged at interest rates as specified in notes 23 and 30 on the outstanding amounts.*

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

(f) *Property management income is charged at rates in accordance with respective contracts.*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

47. RELATED PARTY TRANSACTIONS *(continued)*

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

	2014 **HK$'000**	2013 *HK$'000*
Short-term benefits	**133,524**	129,763
Mandatory Provident Fund contribution	**286**	185
	133,810	129,948

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

	2014 ***Number of person***	2013 *Number of person*
Below HK$1,000,000	**1**	2
HK$1,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$5,000,000	**3**	1
HK$5,000,001 to HK$7,500,000	**3**	3
HK$7,500,001 to HK$10,000,000	**5**	5
HK$10,000,001 to HK$12,500,000	**1**	1
	13	12

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

47. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

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

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

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

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated statement of financial position and notes 23, 30, 33 and 35. The details of the Company's amounts due from and to related parties are disclosed in the Company's statement of financial position and notes 24 and 34.

48. EVENT AFTER THE REPORTING PERIOD

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2014 which, in the opinion of the directors of the Company, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Ace Dragon Development Limited	1 share of HK$1	–	100	Property development
Advocate Properties Limited	100,000 shares of HK$1 each	–	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	–	100	Property investment
China Overseas Building Management Limited	100 shares of HK$1 each	–	100	Real estate management
China Overseas Finance (Cayman) II Limited (vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) III Limited (vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) IV Limited (vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) V Limited (vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VI Limited (vi)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Property Agency Limited	2 shares of HK$1 each	–	100	Real estate agency
China Overseas Property Limited	100 shares of HK$10 each	100	–	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	–	100	Investment holding

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Gold Jade International Holdings Limited	1 share of HK$1	–	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	–	100	Property development, trading and investment
Goodrich Company Limited (vii)	MOP25,000	–	100	Property development
Great Sky Property Investment Company Limited (vii)	MOP25,000	–	100	Property development
Great Trend Investment Limited	10,000 shares of HK$1 each	–	100	Investment holding
Hainan Ruler Limited (i)	1 share of US$1	100	–	Investment holding
Hua Yi Design Consultants Limited	1,000,000 shares of HK$1 each	100	–	Design consultancy services and investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited (vii)	MOP1,000,000	–	100	Property development
Kee Yet Company Limited	2 shares of HK$1 each	–	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	–	100	Investment holding
Longcross Limited	30,370,000 shares of HK$1 each	–	100	Property investment
Macfull Limited	1,000 shares of HK$1 each	–	60	Property development
Macwan Limited	10 shares of HK$1 each	–	70	Property development
Macyat Limited	10,000 shares of HK$1 each	–	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	–	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	–	100	Property development
Mepork Services Limited	100 shares of HK$1 each	–	100	Provision of building cleaning, maintenance and security services

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Ocean Group Limited	2 shares of HK$1 each	–	100	Property investment
Omar Property Development Company Limited (vii)	MOP26,000	–	85	Property development
On Success Development Limited	10,000 shares of HK$1 each	–	100	Property investment
Peak Top Enterprises Limited (i)	1 share of US$1	–	100	Investment holding
Proud Sea International Limited (i)	10 shares of US$1 each	90	–	Investment holding
Right Max Development Limited	1,000,000 shares of HK$1 each	–	100	Property development
Seawave Company Ltd (i)	1 share of US$1	–	100	Investment holding
Splendid Return Limited (i)	50,000 shares of US$1 each	–	100	Investment holding
Total Wonder Limited (i)	1 share of US$1	–	100	Investment holding
Treasure Trinity Limited (i)	1 share of US$1	–	100	Investment holding
Wealth Join Development Limited	1 share of HK$1	–	100	Property development
Widenews Company Limited ("Widenews")	2 shares of HK$1 each (iii)	–	100	Property development and investment holding
Winwhole Development Limited	100 shares of HK$1 each	–	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	–	100	Investment holding
中海發展（上海）有限公司 (ii)	US$17,000,000	–	100	Property development and trading

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
雲南中海城投房地產開發有限公司 (v)	RMB10,000,000	–	65	Property development
煙臺中海地產有限公司 (v)	RMB10,000,000	–	100	Property development
中海鼎業（煙臺）地產有限公司 (ii)	RMB300,000,000	–	100	Property development
煙臺中海興業地產有限公司 (v)	RMB10,000,000	–	100	Property development
中海發展（廣州）有限公司 (ii)	US$21,000,000	–	100	Investment holding, property development, building construction and project management
廣州中海名都房地產發展有限公司 (ii)	RMB400,000,000	–	100	Property development
廣州中海地產有限公司 (v)	RMB100,000,000	–	100	Property development
廣州瑾熙房地產投資諮詢有限公司 (ii)	RMB1,000,000	–	100	Property development
廣州廣奧房地產發展有限公司 (v)	RMB10,000,000	–	100	Property development
廣州毅源房地產開發有限公司 (v)	RMB10,000,000	–	90	Property development
廣州世佳房地產開發有限公司 (v)	RMB10,000,000	–	90	Property development
廣州荔安房地產開發有限公司 (v)	RMB2,800,000,000	–	100	Property development
廣州荔駿房地產開發有限公司 (v)	RMB2,800,000,000	–	100	Property development
廣州荔旭房地產開發有限公司 (v)	RMB1,300,000,000	–	100	Property development
廣州荔璟房地產開發有限公司 (v)	RMB1,350,000,000	–	100	Property development
濟南中海地產有限公司 (ii)	US$98,000,000	–	100	Property development
濟南中海地產投資有限公司 (v)	RMB50,000,000	–	100	Property development
濟南中海興業房地產開發有限公司 (v)	RMB20,000,000	–	100	Property development
濟南中海城房地產開發有限公司 (v)	RMB30,000,000	–	100	Property development
哈爾濱中海地產有限公司 (v)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2014

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
哈爾濱中海龍祥房地產開發有限公司 (v)	RMB20,000,000	–	100	Property development
中海興業武漢房地產有限公司 (v)	RMB20,000,000	–	100	Property development
太原冠澤置業有限公司 (v)	RMB200,000,000	–	95	Property development
福州中海地產有限公司 (v)	RMB30,000,000	–	100	Property development
無錫中海太湖新地置業有限公司 (v)	RMB20,000,000	–	51	Property development
無錫中海海潤置業有限公司 (v)	RMB20,000,000	–	51	Property development
鄭州海創房地產開發有限公司 (v)	RMB20,000,000	–	100	Property development
上海中海物業管理有限公司 (ii)	US$610,000	–	100	Real estate management
深圳市中海電梯工程有限公司 (v)	RMB5,000,000	–	100	Real estate management
深圳市中海樓宇科技有限公司 (v)	RMB5,000,000	–	100	Real estate management
深圳市中海社區環境工程有限公司 (v)	RMB2,000,000	–	100	Real estate management
北京中海物業管理有限公司 (v)	RMB5,000,000	–	100	Real estate management
成都中海物業管理有限公司 (v)	RMB3,000,000	–	100	Real estate management
長春中海物業管理有限公司 (v)	RMB1,000,000	–	100	Real estate management
中海物業管理廣州有限公司 (v)	RMB15,800,000	–	100	Investment holding and real estate management

(i) Incorporated in the British Virgin Islands
(ii) Foreign investment enterprise registered in the PRC
(iii) Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.
(iv) Joint stock limited company established in the PRC
(v) Limited liability company registered in the PRC
(vi) Incorporated in the Cayman Islands
(vii) Incorporated in Macau

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Finance (Cayman) II Limited, China Overseas Finance (Cayman) III Limited, China Overseas Finance (Cayman) IV Limited, China Overseas Finance (Cayman) V Limited and China Overseas Finance (Cayman) VI Limited, which have issued US$1,000,000,000, US$1,500,000,000, US$750,000,000, US$1,000,000,000 and US$2,000,000,000 guaranteed notes payable (note 39), respectively.

ISSUER

China Overseas Land International (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman KY19007
Cayman Islands

GUARANTOR

China Overseas Land & Investment Limited
10/F, Three Pacific Place
1 Queen's Road East
Hong Kong

TRUSTEE

DB Trustees (Hong Kong) Limited
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

REGISTRAR

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

LEGAL ADVISERS

To the Issuer and the Guarantor as to English and Hong Kong law

Mayer Brown JSM
16th–19th Floors
Prince's Building
10 Chater Road
Central
Hong Kong

To the Issuer as to Cayman Islands law

Ogier
11th Floor
Central Tower
28 Queen's Road, Central
Hong Kong

To the Issuer and the Guarantor as to PRC law

Junhe Law Offices
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing 10005
China

To the Joint Bookrunners and the Joint Lead Managers as to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing 100025
PRC

To the Joint Bookrunners and Joint Lead Managers and the Trustee as to English law

Linklaters
10/F, Alexandra House
Chater Road
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

IRISH STOCK EXCHANGE LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2, Ireland