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

# Robust Prosperity on Solid Foundation

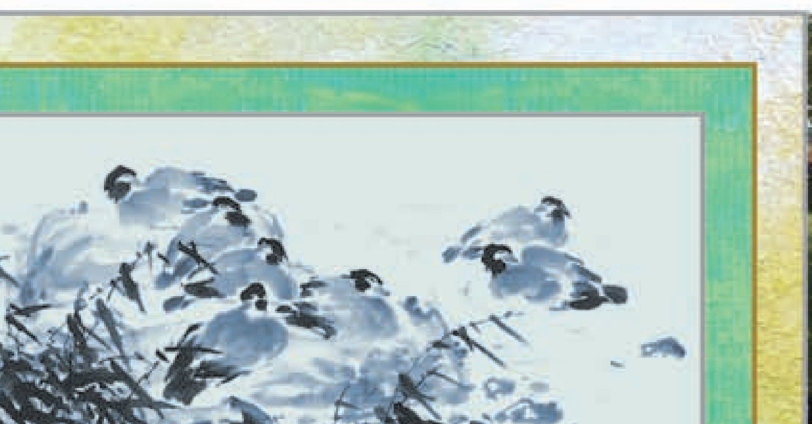
Annual Report 2015

# CHINA OVERSEAS
GRAND OCEANS GROUP LTD.

# CONTENTS

# FOUNDATION

The Group continues to fully embrace the government's urbanization policy, with a firm commitment to become a high-growth star property developer of the highest potential in the residential property market in China. With a professional management, effective organization, good customer satisfaction and company goodwill, the Group would continue to focus on the emerging cities with best investment value and growth potentials, and positioning at the middle to high-end product ranges.



Lanzhou - Glorioushire

# CORPORATE AND SHAREHOLDERS' INFORMATION

## CORPORATE INFORMATION

### Registered Office

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

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

## COMPANY SECRETARY

Chong Wai Sang, Edmond

## REGISTRAR

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

| | | |
|---|---|---|
| Telephone | : | (852) 2980 1333 |
| Facsimile | : | (852) 2810 8185 |
| E-mail | : | is-enquiries@hk.tricorglobal.com |

## LEGAL ADVISOR

Mayer • Brown JSM

## AUDITOR

BDO Limited
*Certified Public Accountants*

## PRINCIPAL BANKERS

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

## STOCK CODE

### Shares

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

## SHAREHOLDERS' INFORMATION

### Share Listing

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

### Ordinary Shares (as at 31 December 2015)

| | |
|---|---|
| Shares outstanding | 2,282,239,894 shares |

## INVESTOR RELATIONS

Corporate Communications Department

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

## PUBLIC RELATIONS

Corporate Communications Department

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

## FINANCIAL CALENDAR

| | |
|---|---|
| 2015 annual results announcement | 17 March 2016 |
| Book closure period for annual general meeting | 20 May 2016–23 May 2016 (both days inclusive) |
| Annual general meeting | 23 May 2016 |
| Financial year end | 31 December 2016 |

# BOARD OF DIRECTORS, HONOURABLE CHAIRMAN AND COMMITTEES

## HONOURABLE CHAIRMAN
Kong Qingping#

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR
Hao Jian Min

## EXECUTIVE DIRECTORS

| | |
|---|---|
| Zhang Guiqing | *Chief Executive Officer* |
| Xiang Hong | |
| Wang Man Kwan, Paul | |
| Liu Jun | (appointed on 1 December 2015) |
| Yang Hai Song | (resigned on 1 December 2015) |

## NON-EXECUTIVE DIRECTOR

| | |
|---|---|
| Yung Kwok Kee, Billy | *Vice Chairman* |

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

## AUTHORIZED REPRESENTATIVES

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

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

## REMUNERATION COMMITTEE
Lam Kin Fung, Jeffrey*
Hao Jian Min (ceased to be a member on 17 March 2016)
Yung Kwok Kee, Billy
Chung Shui Ming, Timpson
Lo Yiu Ching, Dantes
Zhang Guiqing (appointed on 17 March 2016)

## NOMINATION COMMITTEE
Lo Yiu Ching, Dantes*
Hao Jian Min (ceased to be a member on 17 March 2016)
Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Zhang Guiqing (appointed on 17 March 2016)

\# *not a director of the Company*
* *Committee Chairman*

# FINANCIAL HIGHLIGHTS

| For the year ended 31 December | 2015 | 2014 | Change |
|---|---|---|---|
| **Key Consolidated Profit and Loss Items** ***(HK$ Million)*** | | | |
| Revenue | **16,613.9** | 13,981.3 | 18.8% |
| Gross profit | **2,599.6** | 3,363.9 | -22.7% |
| Gross margin[1] | **15.6%** | 24.1% | -8.5%^ |
| Profit attributable to owners of the Company | **851.2** | 1,267.4 | -32.8% |
| Net margin[2] | **5.1%** | 9.1% | -4.0%^ |
| Contracted property sales | **22,007.0** | 18,060.1 | 21.9% |
| **As at 31 December** | **2015** | **2014** | **Change** |
| **Key Consolidated Statement of Financial Position Items** ***(HK$ Million)*** | | | |
| Inventories of properties | **34,475.5** | 34,010.6 | 1.4% |
| Sales deposits received | **13,934.0** | 8,978.0 | 55.2% |
| Cash reserves[3] | **13,026.6** | 11,409.8 | 14.2% |
| Total borrowings[4] | **18,690.7** | 20,546.6 | -9.0% |
| Net debts[5] | **5,664.1** | 9,136.8 | -38.0% |
| Equity attributable to owners of the Company | **11,172.8** | 12,301.3 | -9.2% |
| Net gearing[6] | **50.7%** | 74.3% | -23.6%^ |
| **Land Bank** ***(Thousand sq.m.)*** | | | |
| Development land reserves | **10,930.9** | 12,071.2 | -9.4% |
| **Financial Year** | **2015** | **2014** | **Change** |
| **Return to Shareholders** | | | |
| Return on equity[7] | **7.3%** | 10.7% | -3.4%^ |
| Earnings per share *(HK cents)* | **37.3** | 55.5 | -32.8% |
| Dividends per share *(HK cents)* | **–** | 5 | -100% |

## FORMULA OF FINANCIAL INFORMATION

(1) Gross margin $= \dfrac{\text{Gross profit}}{\text{Revenue}}$

(2) Net margin $= \dfrac{\text{Profit attributable to owners of the Company}}{\text{Revenue}}$

(3) Cash reserves = Cash and bank balances + Restricted cash and deposits

(4) Total borrowings = Borrowings + Convertible bonds (liability component) + Guaranteed notes payable

(5) Net debts = Total borrowings – Cash reserves

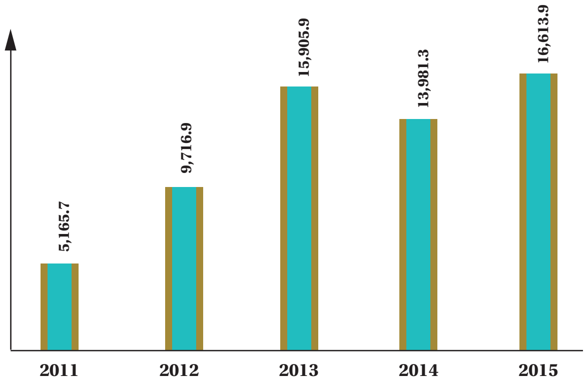
(6) Net gearing $= \dfrac{\text{Net debts}}{\text{Equity attributable to owners of the Company}}$

(7) Return on equity $= \dfrac{\text{Profit attributable to owners of the Company}}{\text{Average capital and reserves attributable to owners of the Company}}$

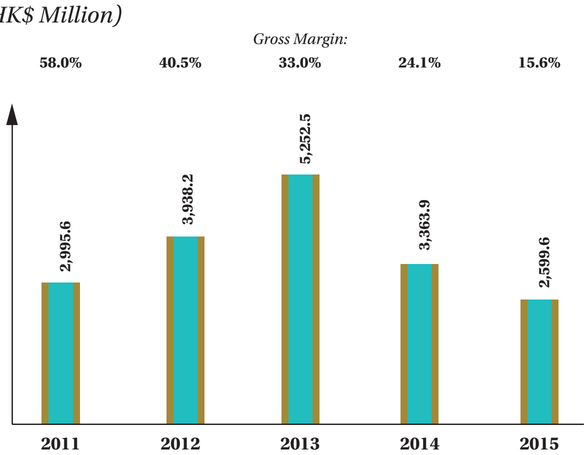
Note: ^ Change in percentage points

# FINANCIAL HIGHLIGHTS *(CONTINUED)*

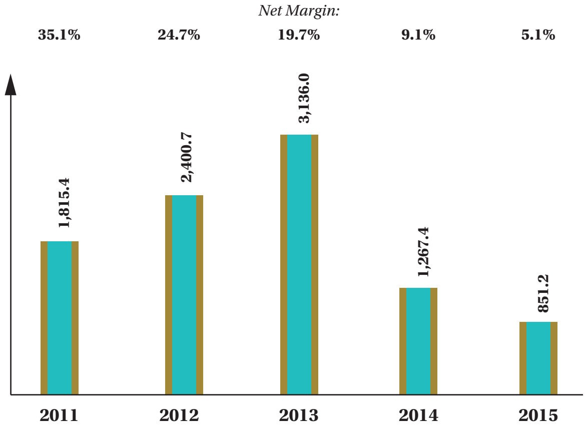
## Revenue
*(HK$ Million)*




## Gross Profit
*(HK$ Million)*

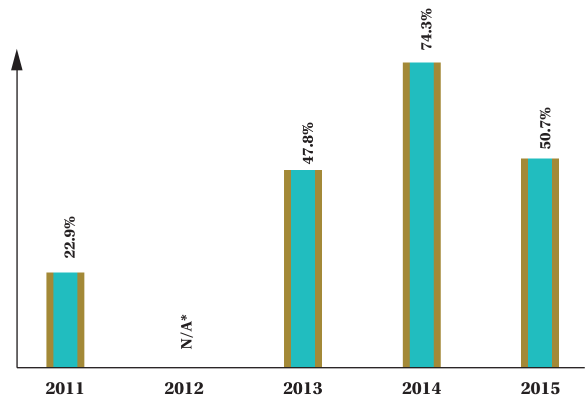



## Profit Attributable to Owners of the Company
*(HK$ Million)*



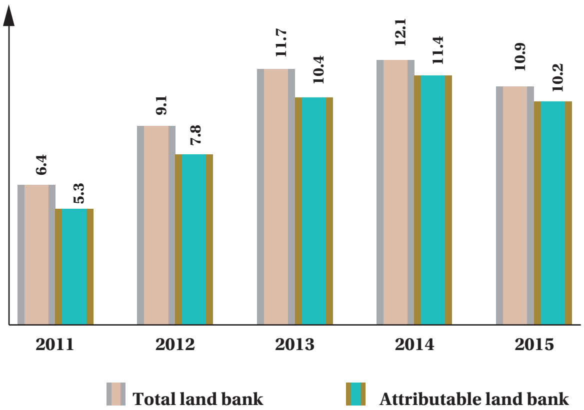

## Contracted Property Sales
*(HK$ Million)*


## Net gearing




* Net cash

## Land Bank
*(Million sq.m.)*



# EXPANDING

Leveraged with a quality driven national brand name, the Group focused on the cities with high investment value. During the year, the Group acquired a total of four parcels of land in Lanzhou, Shantou and Hefei. The Group operated in 15 cities with 27 projects under development.


Hefei - The Lagoon

Yancheng - The Century

# CHAIRMAN'S STATEMENT

Facing the complicated and fast-changing business environment, the Group stayed focus on consolidation of its businesses in the cities being operated and proactively adjusted its marketing strategies to meet the market demands.

For the year ended 31 December 2015, the Group's revenue increased to HK$16.6 billion, while profit attributable to owners of the Company was about HK$851 million.

Driven by additional sales efforts, the contracted property sales of the Group for the year further increased to HK$22.0 billion, which corresponded to an aggregated sold area of 2.4 million square meter.

**Mr. Hao Jian Min**
*Chairman and Non-executive Director*

## INTRODUCTION

I am pleased to present the annual results of the Group for the year ended 31 December 2015.

For the year ended 31 December 2015, the Group's revenue increased by 18.8% to HK$16,613.9 million comparing with last year, while profit attributable to owners of the Company was HK$851.2 million, 32.8% lower than last year. Basic earnings per share were HK37.3 cents (2014: HK55.5 cents per share).

The operating environment for the year 2015 was filled with uncertainties. In light of the continual economic structural reforms in China, depreciation of the value of Renminbi ("RMB") and the unsatisfactory macroscopic economic environment aboard, growth of China's economy slowed down. The property market in China was also challenging. Despite the roll out of favorable measures by the Central Government to stabilize the property market, the overall market may still need time to fully rejuvenate.

Facing the complicated and fast-changing business environment, the Group stayed focus on consolidation of its businesses in the cities being operated and proactively adjusted its marketing strategies to meet the market demands. During the year, the Group has streamlined the management structure of sales planning and project development in order to improve the management efficiency. Furthermore, to expedite property sales, the Group employed different sales channels with flexible sales tactics and introduced more promotional campaigns. The Group also disposed its property management business in the year with the target of improving the operating efficiency of the property development business. In addition, the Group continued to enhance its projects in order to meet the customers' needs and maintain its leading market position.

Driven by additional sales efforts, the contracted property sales of the Group for the year further increased to HK$22,007.0 million (2014: HK$18,060.1 million), representing an increase of 21.9% against last year, which corresponded to an aggregated sold area of 2,406,600 square meter ("sq.m.") (2014: 1,849,800 sq.m.). Besides, the balance of preliminary sales at the year-end pending the completion of formal sales and purchase agreements in the pipeline was HK$1,105.0 million for an aggregated area of 82,800 sq.m..

While actively accelerated property sales in the year, the Group remained discreet in land bank replenishment and continued to exercise due care in bidding for land with high investment potential so as to enhance the land bank portfolio and lay the foundation for persisted growth. During the year, the Group acquired a total of four parcels of land in Lanzhou, Shantou and Hefei with total development area of 1,653,041 sq.m. (attributable to the Group: 1,574,315 sq.m.). As at 31 December 2015, the Group has maintained a land bank of 10,930,900 sq.m. over 15 cities with 27 projects under property development (attributable to the Group: 10,238,100 sq.m.).

## DIVIDEND

No interim dividend had been paid for the six months ended 30 June 2015 (2014: HK4.0 cents per share).

After reviewing the result performance for the year and the Group's future expansion of its business, the Board of the Company did not recommend the payment of final dividend for the year ended 31 December 2015 (2014: HK1.0 cent per share).

# CHAIRMAN'S STATEMENT *(CONTINUED)*

## PROSPECTS

### The Economy

As the economy of United States has recovered progressively, the Federal Reserve Board of the United States commenced the normalization of interest rate and announced, in December 2015, the first rise in interest rate since the financial crisis. The impact of start of rate hiking cycle on the economy, however, is still uncertain and may take time to be fully reflected. Amidst loose monetary policy and low interest rate environment, economic growth of Europe and Japan remains sluggish and the fundamental for continuous recovery is still far from solid. For the emerging countries, capital outflow has dampened the liquidity and added downward pressure on economies. In general, the outlook of global economy is still gloomy.

In China, after years of expansion by way of investments, the focus of economic growth has migrated gradually from heavy industries and manufacturing to consumption and service industries. China has stepped into a crucial stage in economic structural transformation and upgrade. The industrial structure has been optimized steadily and led by the growth in tertiary industry, GDP of China for the year 2015 increased by 6.9% year-on-year. Emphasized in the "13th Five Year Plan", unveiled in November 2015, and during the Central Economic Work Conference, took place in December 2015, the structural reform of the supply side would be strengthened to increase the quality and efficiency of supply system. With China's economy would advance to the "new normal", the economic growth model would change by pursuing innovative, coordinated, green, open and shared development in order to achieve long-lasting development and balanced growth. Under a more regulated and structured framework, the healthy economic development would improve the living standard of people in the long term.

Moreover, International Monetary Fund decided to include RMB in the Special Drawing Right (SDR) basket, along with the US Dollar, the Euro, the Japanese yen and British pound, with effective from 1 October 2016. Following the inclusion of RMB in the SDR basket, exchange rate of RMB is expected to be further market oriented and internationalized. Although the exchange rate of RMB would be volatile in the short term, the economic development of China would be benefited in the long run.

### Real Estate Development

In 2015, the Central Government has gradually eased some restrictive measures and launched different policies to stabilize the property market such as reduced the reserve rate and interest rate, lowered down payment ratio and fine-tuned the policy of the housing provident fund. After the implementation of the policies, the property market of first and second tier cities has been picking up while the market of third and fourth tier cities is in the phase of market transition.

The Central Economic Work Conference identified "destocking" as one of the five major tasks of economic reform this year. Various measures have been proposed to facilitate the development of property market which include the reform of household registration system to allow the non-registered population, like farmers and migrant workers, to settle in cities where they are working and become the new demand of properties in their working places. In addition, rental housing market would be promoted to raise the demand of properties. The stepping up of raising the urbanization ratio of registered population and deepening of household registration system reform would not only help to stabilize the property market by expanding the base of potential home buyers in the cities but also would improve the living environment of citizen in general and benefit the development of social fairness and justice.

Headwind in the property market is still strong but with the support of the macroscopic government policies and flexible monetary policy, both risks and chances co-exist. The continued urbanization would lead to a healthy development of core demand in the property market. On the other hand, the market condition could inevitability fluctuate during the upgrade of the industrial structure. In view of the above, strategies have to be adjusted proactively and timely in order to manage the risks and seize the development opportunities.

## PROSPECTS (CONTINUED)

### Group Strategy

The Group continues to fully embrace the government's urbanization policy, with a firm commitment to become a high-growth star property developer of the highest potential in the residential property market in China. With a professional management, effective organization, good customer satisfaction and company goodwill, the Group would continue to focus on the emerging cities with best investment value and growth potentials, and positioning at the middle to high-end product ranges.

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

The Group consistently practices its prudent investment strategy and is dedicated to enlarge the operating scale and speed up the pace of development in an orderly manner, so as to raise the marginal cost efficiency and stock turnover rate. It is also of paramount importance that the Group would be able to build up and maintain a quality land bank at competitive prices in order to maximize shareholders' returns in long term. At appropriate and sustainable gearing structure, the Group would continue to explore business opportunities.

With standardized management systems, the Group would continue to streamline its operating processes, strengthen its internal controls and tighten cost controls. In spite of the challenging market condition, leveraged with more mature understanding of the operating environment and dynamics in the cities being developed, the enhanced management capabilities of the professional teams would be able to optimize the project development cycle and stock management as well as raise customers' satisfaction. To cope with the ever-changing market environment, the Group would strive to improve quality of properties, evolve new marketing methodologies, speed up sales programs and promote the sell-through rate of the inventory. The Group is determined to extend its competitive edge and safeguard its leading position in the market.

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

## APPRECIATION

Human resources are amongst the essences to the success of any business. I would like to take this opportunity to express my heartfelt thanks to my fellow directors and our committed staff for their dedication, hard work and contributions to the Group for the year, and our shareholders and business partners for their continued confidence and support.

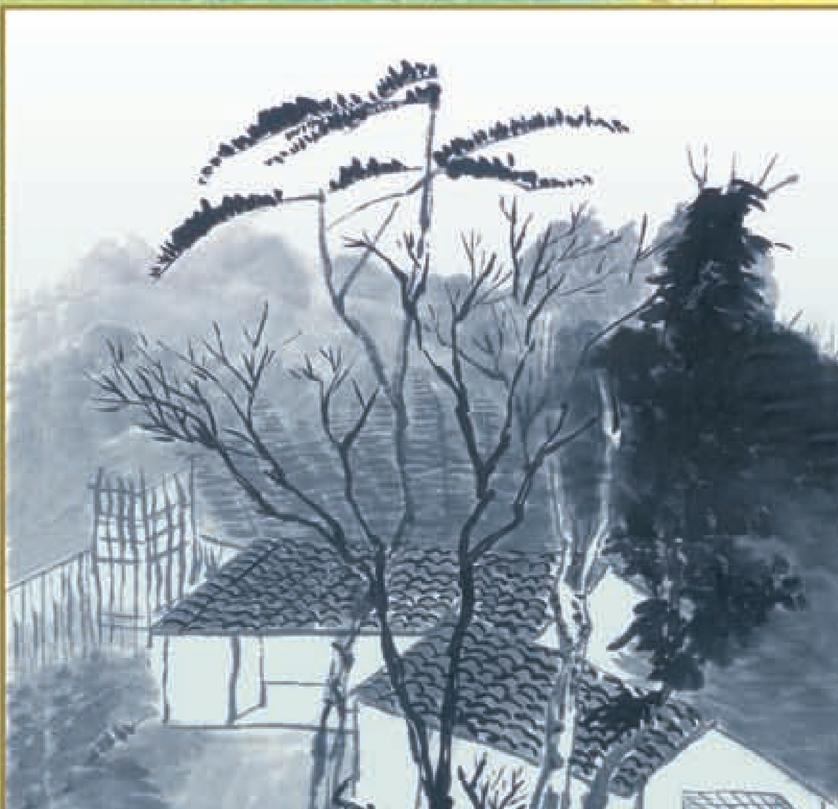
**Hao Jian Min**
*Chairman and Non-executive Director*

# PLANNING

The Group is dedicated to enlarge the operating scale and speed up the pace of development in an orderly manner, so as to raise the marginal cost efficiency and stock turnover rate. To cope with the ever-changing market environment, the Group would strive to improve quality of properties, evolve new marketing methodologies, speed up sales programs and promote the sell-through rate of the inventory. The Group is determined to extend its competitive edge and safeguard its leading position in the market.

Ganzhou - International Community

Shantou - East Coast



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### REVENUE AND OPERATING RESULTS

In view of the continual economic structural reforms in China, the operating environment of the property market was also uncertain in 2015. To cope with the ever-changing market, the Group stayed focus on consolidation of its projects in the cities where it was operating and timely reviewed its sales strategies. Amid the ease of macroscopic policies and the support of flexible monetary policy, the Group stepped up sales and promoted the sell-through rate of the inventory to capture market demand. For the year ended 31 December 2015, the Group recorded revenue of HK$16,613.9 million, 18.8% increase comparing with last year. The surge in revenue was driven by additional sales effort of the Group and the purchase power in the market. Gross profit and margin for the year were HK$2,599.6 million and 15.6% respectively, comparing with HK$3,363.9 million and 24.1% respectively in last year. The Group improved stock turnover aggressively during the year, which led to the shrink in gross profit margin.

Due to the extended promotion and marketing activities, distribution and selling expenses to contracted property sales for the year increased slightly to 2.0%, 0.1% higher than last year. Administrative expenses to revenue for the year decreased slightly to 3.1%, 0.1% lower than last year. The Group still exercised stringent controls over the expenses while speeding up sales.

No fair value gain was recognized by the Group in respect of the investment properties in the year (2014: HK$30.0 million).

On 28 May 2015, the Group completed the disposal of 100% equity interest in subsidiaries, which carried out property management business in China, with a cash consideration of RMB50.0 million (approximately HK$63.2 million). The management considers that the core businesses of the Group are real estate development and investment in China. After the disposal of property management business, the management can better focus on improving the operating efficiency of the core property development business. In relation to this disposal, the Group recognized a gain of HK$2.9 million.

Jilin - International Community

## BUSINESS REVIEW (CONTINUED)

### REVENUE AND OPERATING RESULTS (Continued)

In addition, on 21 March 2015, the Group, in accordance with the options exercised by all the bondholders, redeemed the convertible bonds issued by the Group on 21 March 2012 by cash. The amount had been arranged through a banking facility. The total redemption money was HK$2,200.0 million, being 100% principal amount of the convertible bonds. The Group recognized a loss on the redemption of the convertible bonds of HK$6.0 million.

Operating profit for the year amounted to HK$1,743.9 million, representing a drop of 35.1% against last year. It was mainly due to decline in gross profit margin in the year as the selling prices of certain selected projects were adjusted to match the purchase power of the market to accelerate sales.

Finance costs increased by HK$4.9 million year-on-year, to HK$27.3 million after capitalization of HK$871.9 million to the on-going development projects.

Income tax expense for the year decreased by 34.7% against last year to HK$798.9 million, mainly due to decrease in the provision for enterprise income tax.

In total, for the year ended 31 December 2015, profit attributable to owners of the Company decreased by 32.8% against last year to HK$851.2 million (2014: HK$1,267.4 million).

## LAND BANK

The Group's management believes that a sizable and quality land bank is one of the most important assets to a property developer. A key success factor would therefore be the Group's capability to acquire sites at competitive prices and at opportune times, thereby enhancing the land bank portfolio to lay the foundation for persisted growth of the Group and maximize the returns to shareholders in the long term.

With deeper understanding of the operating environment, the Group continued to evaluate land acquisition opportunities in the cities where it was developing and with high growth potential. During the year, the Group successfully acquired a total of four land parcels in Lanzhou, Shantou and Hefei through public land auctions with a gross floor area of 1,653,041 sq.m. for a total consideration of approximately RMB2,723.7 million. As announced on 31 December 2015, the Group has entered into a cooperation agreement for the development of the piece of land acquired in Hefei and owns 45% interest in this project.

As at 31 December 2015, total land bank of the Group is estimated available to build gross floor area of approximately 10,930,900 sq.m. (of which, 10,238,100 sq.m. are attributable to the Group, excluding non-controlling shareholders).

With its prudent expansion strategy, the Group would keep on closely monitoring the market situation and search for suitable land pieces for development in order to maintain a quality land bank at reasonable price.

# MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*


**Total Land Bank:**

**10.9** million sq.m.

**Attributable Land Bank:**

**10.2** million sq.m.

| | | Total GFA (Thousand sq.m.) | % | Attributable GFA (Thousand sq.m.) | Attributable % |
|---|---|---|---|---|---|
| 1 | Beijing | 91.9 | 0.8 | 91.9 | 0.9 |
| 2 | Jilin | 1,040.8 | 9.5 | 902.2 | 8.8 |
| 3 | Hohhot | 181.6 | 1.7 | 181.6 | 1.8 |
| 4 | Yinchuan | 2,540.0 | 23.3 | 2,158.9 | 21.0 |
| 5 | Hefei | 616.1 | 5.6 | 537.4 | 5.2 |
| 6 | Guilin | 19.1 | 0.2 | 19.1 | 0.2 |
| 7 | Nanning | 1,450.8 | 13.3 | 1,450.8 | 14.2 |
| 8 | Lanzhou | 1,013.9 | 9.3 | 1,013.9 | 9.9 |
| 9 | Ganzhou | 787.2 | 7.2 | 692.8 | 6.8 |
| 10 | Yancheng | 458.4 | 4.2 | 458.4 | 4.5 |
| 11 | Yangzhou | 453.1 | 4.1 | 453.1 | 4.4 |
| 12 | Nantong | 445.7 | 4.1 | 445.7 | 4.4 |
| 13 | Changzhou | 387.7 | 3.5 | 387.7 | 3.8 |
| 14 | Shaoxing | 240.4 | 2.2 | 240.4 | 2.3 |
| 15 | Shantou | 1,204.2 | 11.0 | 1,204.2 | 11.8 |
| **Total** | | **10,930.9** | **100** | **10,238.1** | **100** |

## SEGMENT INFORMATION

### PROPERTY SALES AND DEVELOPMENT

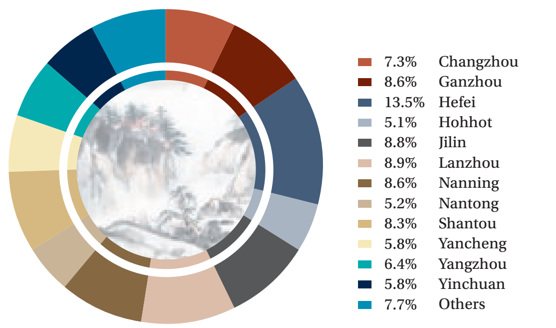
Leveraged with a quality driven national brand name, the Group focused on the cities with high investment value and developed a wide range of tailored and high graded housing products, including flats with different layouts, sizes and orientations, to suit specific needs of different local markets and customers. As a result, the Group was able to sustain its leading market position in these cities despite of challenging property market environment.

For the year ended 31 December 2015, the Group operated in 15 cities with 27 projects under development. Contracted property sales increased by 21.9% against last year to HK$22,007.0 million (2014: HK$18,060.1 million), corresponding to a saleable gross floor area of 2,406,600 sq.m. (2014: 1,849,800 sq.m.). At year end, the balance of preliminary sales pending the completion of sales and purchase agreements was HK$1,105.0 million for an aggregated area of 82,800 sq.m..

## Proportion of Contracted Property Sales by Cities

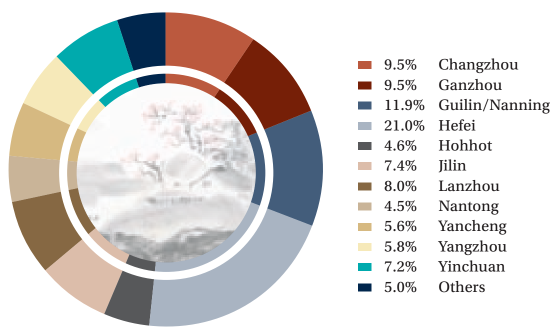
### Total Property Sales:

**2015**




**HK$22.0 billion**

**2014**

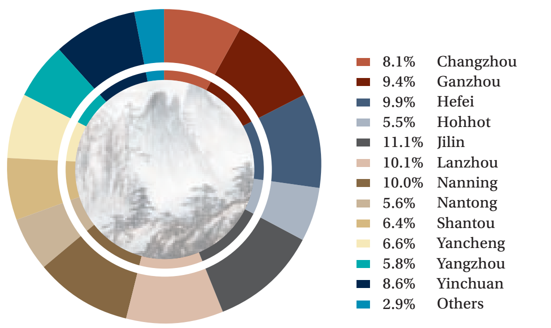



**HK$18.1 billion**

## Proportion of Saleable GFA Sold by Cities

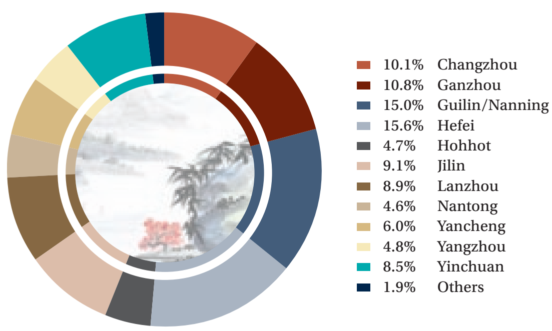
### Total Saleable GFA Sold:

**2015**




**2,406,600 sq.m.**

**2014**




**1,849,800 sq.m.**

# MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*


Jilin - Royal Waterfront


Yangzhou - The Grand Canal


Yancheng - The Arch

## SEGMENT INFORMATION (CONTINUED)

### PROPERTY SALES AND DEVELOPMENT (Continued)

Contracted property sales from major projects during the year:

| City | Name of project | Saleable GFA (sq.m.) | Amount (HK$ Million) |
|---|---|---|---|
| **Hefei** | The Lagoon | **238,149** | **2,959.6** |
| **Lanzhou** | Glorioushire | **242,344** | **1,941.5** |
| **Ganzhou** | International Community | **226,118** | **1,902.4** |
| **Nanning** | | **241,248** | **1,893.2** |
| | International Community | 157,976 | 1,247.0 |
| | Royal Lakefront | 56,242 | 422.6 |
| | The Green Peak | 27,030 | 223.6 |
| **Shantou** | East Coast | **154,761** | **1,831.2** |
| **Jilin** | | **248,477** | **1,786.6** |
| | International Community | 214,002 | 1,442.4 |
| | Royal Waterfront | 34,475 | 344.2 |
| **Changzhou** | | **194,148** | **1,595.3** |
| | The Imperial | 78,770 | 722.4 |
| | Dragon Bay | 63,353 | 520.6 |
| | The Phoenix | 52,025 | 352.3 |
| **Yangzhou** | | **139,555** | **1,419.3** |
| | Jade Garden | 55,594 | 628.0 |
| | The Grand Canal | 67,023 | 577.8 |
| | Imperial No. 9 | 16,938 | 213.5 |
| **Yinchuan** | International Community | **206,077** | **1,283.3** |
| **Yancheng** | | **159,374** | **1,269.5** |
| | The Century | 103,190 | 841.2 |
| | The Arch | 56,184 | 428.3 |

## SEGMENT INFORMATION (CONTINUED)

### PROPERTY SALES AND DEVELOPMENT (Continued)

Progress for all development projects were satisfactory and largely in line with the construction programs. Nearly 2,521,500 sq.m. of construction sites were completed for occupation in the year (2014: 2,201,800 sq.m.) and of which, about 79% was sold out by year end. In response to the volatile market, the Group reacted with adapted market strategies to stimulate sales and optimize inventory. Further, while accelerated the property sales, the Group also seized chances, after cautious assessment, to acquire quality land pieces with high investment potential at reasonable prices to safeguard a healthy financial position and achieve sustainable development scale. For the year ended 31 December 2015, recognized revenue increased by 19.7% against last year to HK$16,354.7 million (2014: HK$13,660.3 million) while segment result decreased to HK$1,658.8 million (2014: HK$2,565.3 million).

Recognized revenue from major projects during the year:

| City | Name of project | Saleable GFA (sq.m.) | Amount (HK$ Million) |
|---|---|---|---|
| **Changzhou** | | **279,011** | **2,087.8** |
| | The Imperial | 129,770 | 1,138.9 |
| | The Phoenix | 74,776 | 488.6 |
| | Dragon Bay | 74,465 | 460.3 |
| **Nanning** | | **236,718** | **1,754.5** |
| | International Community | 148,346 | 1,093.4 |
| | Royal Lakefront | 54,244 | 396.8 |
| | The Green Peak | 34,128 | 264.3 |
| **Yangzhou** | | **163,032** | **1,575.9** |
| | The Grand Canal | 88,778 | 738.3 |
| | Jade Garden | 54,849 | 594.1 |
| | Imperial No. 9 | 19,405 | 243.5 |
| **Hefei** | The Lagoon | **104,714** | **1,546.0** |
| **Jilin** | International Community | **219,019** | **1,461.0** |
| **Nantong** | | **157,655** | **1,398.1** |
| | The Grove | 53,271 | 779.1 |
| | The Aqua | 104,384 | 619.0 |
| **Hohhot** | | **164,311** | **1,339.8** |
| | The Azure | 135,937 | 1,073.9 |
| | The Bund | 28,374 | 265.9 |
| **Ganzhou** | International Community | **126,864** | **1,286.3** |
| **Yancheng** | | **159,367** | **1,267.9** |
| | The Century | 124,259 | 978.0 |
| | The Arch | 35,108 | 289.9 |
| **Yinchuan** | International Community | **156,141** | **995.0** |
| **Lanzhou** | Glorioushire | **124,106** | **983.9** |

# MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

## SEGMENT INFORMATION (CONTINUED)

### PROPERTY SALES AND DEVELOPMENT (Continued)

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

| City | Name of project | Construction commenced |
|---|---|---|
| Hohhot | Left Bank | April 2015 |

Further details of the respective projects are shown in the Particulars of Major Properties & Property Interests on page 143 to page 150 in the annual report.

At year end date, properties under construction and stock of completed properties amounted to 4,068,037 sq.m. and 1,121,340 sq.m. respectively, totaling 5,189,377 sq.m.. Properties of 1,710,036 sq.m. had been contracted for sales and were pending for handover upon completion.

## PROPERTY LEASING

For the year ended 31 December 2015, driven by increased average rental rate, rental income increased to HK$209.4 million (2014: HK$193.3 million) with a segment profit of HK$149.9 million (2014: HK$187.2 million). The reduction in segment profit was mainly attributed to no fair value gain was recognized in the year (2014: HK$30.0 million) in respect of the investment properties while contribution from the joint venture increased to HK$4.1 million (2014: HK$3.6 million).

As at year end, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were 88% (2014: 100%) and 97% (2014: 84%) respectively. On the other hand, according to the local market conditions, the leasing business development plan in relation to the China Overseas Building located in Jilin has been changed. To speed up the payback of the investment on the property, the property is now being sold in the form of the sub-units. The Group fully owns the Beijing and the Jilin properties while it holds 65% of the Shanghai project.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. Having worked hard over the past few years, the Company and its subsidiaries have gained multiple accesses to funds from both investors and financial institutions in China and international market to meet its requirements in working capital, refinancing and project development. As at 31 December 2015, net working capital amounted to HK$23,725.4 million (31 December 2014: HK$25,523.5 million), with a quick ratio, expressed as a ratio of total current assets less inventories of properties to total current liabilities, of 0.6 (31 December 2014: 0.7).

The bank loan drawdowns and repayments during the year were HK$6,311.1 million and HK$6,122.3 million respectively. Nevertheless, after taking into account of the decrease of HK$233.8 million due to translation of RMB loan, bank borrowings decreased mildly by 0.3% against last year end to HK$15,552.3 million. Of which, RMB loan amounted to RMB2,623.1 million (equivalent to HK$3,130.9 million) while the Hong Kong Dollar loan and US Dollar loan amounted to HK$10,793.9 million and HK$1,627.5 million respectively. As at year end, interest of such borrowings was charged at floating rates with a weighted

Nanning - Royal Lakefront

## FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

average of 3.58% per annum. About 31.6% of such borrowings is repayable within one year.

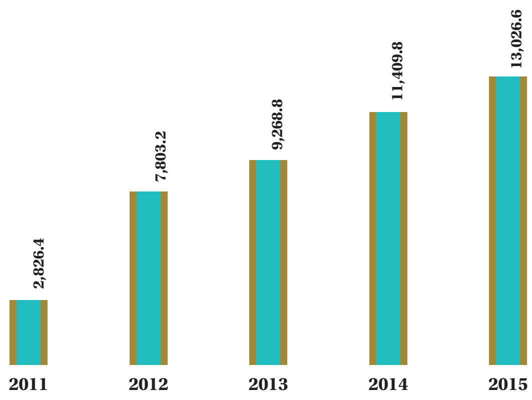
In respect of the Group's US$400 million 5.125% guaranteed notes due 2019, the amortized cost payable amounted to HK$3,138.4 million as at 31 December 2015.

On the other hand, coupled with sales achieved during the year, cash and bank balances plus restricted cash and deposits were HK$13,026.6 million in total, 14.2% higher as compared with the last financial year end (HK$11,409.8 million). Of which, 99.1% is denominated in RMB while the remaining is mainly in Hong Kong Dollar.

The net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, was 50.7% as at 31 December 2015, significantly reduced by 23.6% from 74.3% as at 31 December 2014, which was considered within the acceptable and manageable range of the management in light of the current pace of development and operation environment.

## Cash Reserves

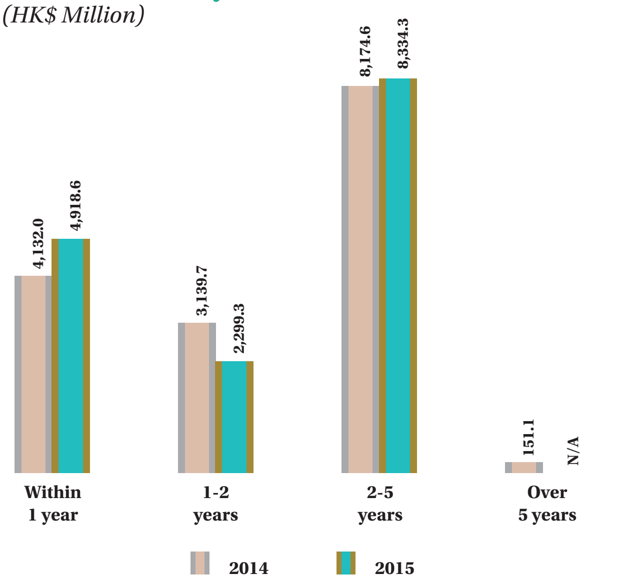
*(HK$ Million)*




*The Group has unutilized bank credit facilities of HK$1,892.3 million as at 31 December 2015*

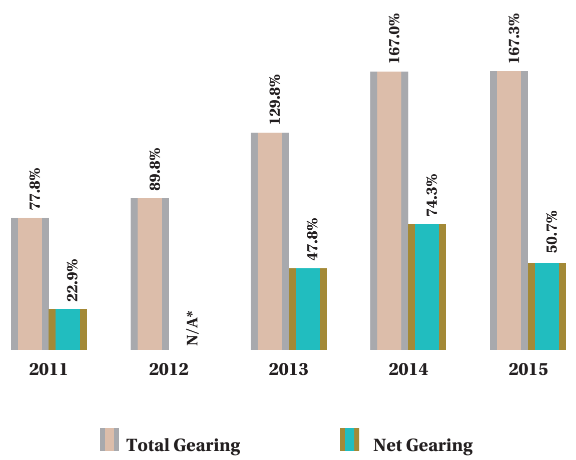
## Debt# Maturity Profile

*(HK$ Million)*




# *excluding the convertible bonds and guaranteed notes payable*

## Gearing Ratio




** net cash*

# MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

## FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

Taking into consideration of the unutilized bank credit facilities available to the Group of HK$1,892.3 million, the Group's total available funds (including restricted cash and deposits of HK$3,323.7 million) reached HK$14,918.9 million as at 31 December 2015.

In terms of capital management, the Group implements centralized financing and treasury policies to ensure efficient fund utilization. The liquidity position of the Group remains healthy and the Group has sufficient resources to satisfy its commitment and working capital needs.

The Group manages its capital structure with the objective to maximize its shareholders' returns in the long term by maintaining a healthy financial position, sustainable gearing structure and reasonable finance costs in the built-up of an optimal operation scale. The Group would closely monitor the financial market and explore opportunities to enter into appropriate long-term financing to improve its capital structure continuously.

The Group would closely review its operational and financial status to ensure continual fulfillment of the financial covenants as agreed with different financial institutions. The Group would also regularly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.

## FOREIGN EXCHANGE EXPOSURE

As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in RMB for its property development business in China, the management considered a natural hedge mechanism existed in that operations. However, as at 31 December 2015, about 16.8% and 83.2% of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and Hong Kong Dollar/US Dollar respectively. Hence, take into account of the debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

The exchange rate of RMB to Hong Kong Dollar fell by 5.8% in the year and accordingly, the net asset value of the Group decreased by HK$1,633.8 million which arose from currency translation.

During the year, the Group has not entered into any financial derivatives either for hedging or speculative purpose. The Group would continue to closely monitor the volatility of the RMB exchange rate. In consideration of the lower finance costs for borrowings in Hong Kong Dollar/US Dollar and the expectation of stable RMB exchange rate in the medium to long term, the management, after balancing the finance cost and risks, would fine-tune the financing strategy gradually to optimize the ratio of RMB and Hong Kong Dollar/US Dollar debt at appropriate time to minimize the foreign exchange risk.

Changzhou - The Imperial

## COMMITMENTS AND GUARANTEE

As at 31 December 2015, the Group had other commitments totaling HK$4,221.8 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$18,742.8 million (equivalent to RMB15,702.7 million), mainly for facilitating end-user mortgages in connection with its property sales in China as a usual commercial practice.

## CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$2.6 million approximately during the year under review, mainly referred to additions in motor vehicles, furniture, fixtures and office equipment.

On the other hand, as at 31 December 2015, a development project with a carrying value of HK$390.6 million in China was pledged to obtain HK$179.0 million (equivalent to RMB150.0 million) of secured borrowing from a bank in China for the project.

## EMPLOYEES

As at 31 December 2015, the Group has 1,343 employees (31 December 2014: 2,739). The substantial reduction in the number of employees was due to the disposal of property management business during the year.

The Group is keen to motivate and retain talent and reviews the remuneration policies and packages on a regular basis to recognize employee contributions and respond to changes in the employment market. The total staff costs incurred for the year ended 31 December 2015 was approximately HK$360.1 million (2014: HK$373.7 million). The pay levels of the employees are determined based on their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance while other remuneration and benefits, including the provident fund contributions/retirement pension scheme, remained at appropriate levels. Different trainings and development opportunities continued to be offered to enhance employees' capabilities.

Nanning - International Community

Changzhou - The Phoenix

# MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

## KEY RISKS FACTORS AND UNCERTAINTIES

The Group monitors the development of the industry on regular basis and timely assesses different types of risks in order to formulate proper strategies to minimize the impact to the Group. The followings are the key risks and uncertainties identified by the Group:

## INVESTMENT RISK

The property market is filled with challenges amidst the slowdown of growth of China's economy during the economic structural transformation and upgrade.

The Group would carry on its prudent investment approach. Based on the latest market condition, the Group would select cautiously the locations for investment and pick out high quality land pieces with development potential. The Group would strictly control costs for land acquisition to minimize the risk exposure to volatility of market.

## FOREIGN EXCHANGE RISK

The exchange rate of RMB to US Dollar has fluctuated and dropped noticeably since the second half of 2015 as affected by the factors like interest rate hike in the United States and downward trend in economy of China. The value of RMB against Hong Kong Dollar also has depreciated markedly given Hong Kong Dollar is pegged to US Dollar under the linked exchange rate system.

As aforesaid, under the existing capital structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate. Nevertheless, the Group would continue to actively monitor the volatility of RMB exchange rate and after balancing the finance cost and risks, would fine-tune the financing strategy gradually to optimize the ratio of RMB and Hong Kong Dollar/US Dollar debt at appropriate time to minimize the foreign exchange risk.

## MARKET RISK

The advance of urbanization, macroscopic policies and flexible monetary policy are favorable to the growth of property market. However, the market would be volatile as the economic structural transformation persists. Therefore, the property market would be under pressure of sales and high stock level in the short term.

Benefited from the national brand for excellence product, the Group would develop different types of properties tailored for the cities being operated to serve the preferences of customers in different regions. Moreover, the Group would alter the construction program of the projects to match the sales status so that the stock level could be optimized while the supply of properties could still be warranted.

Yangzhou - Jade Garden

Yinchuan - International Community

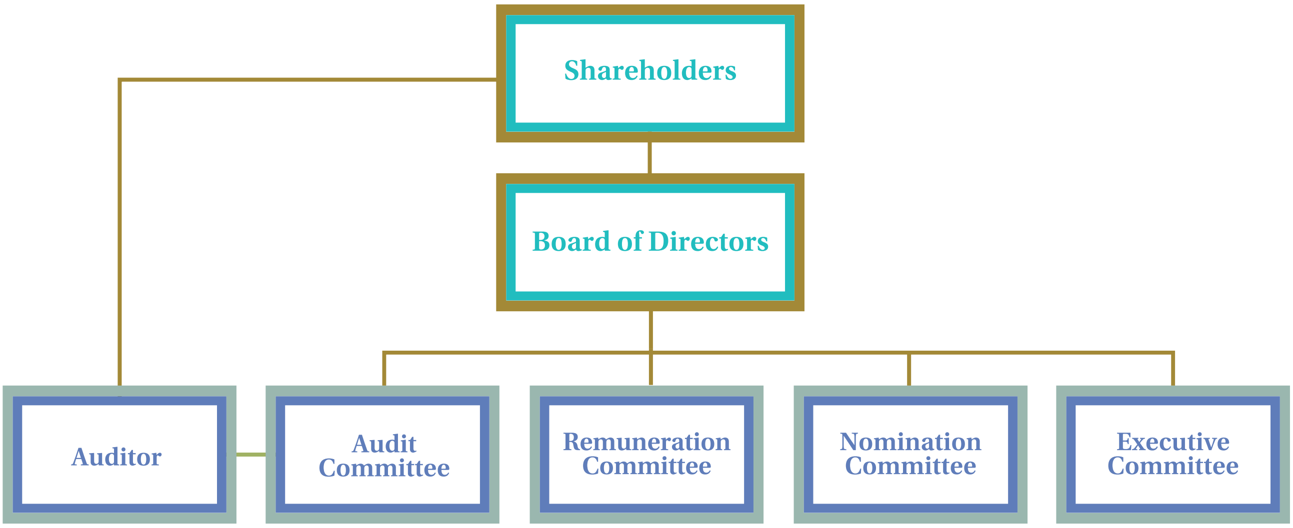
# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

## CORPORATE GOVERNANCE STRUCTURE

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




## BOARD OF DIRECTORS

### Management Functions

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

# CORPORATE GOVERNANCE REPORT *(CONTINUED)*

## BOARD OF DIRECTORS (CONTINUED)

### Board Composition

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

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

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

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

### Chairman and CEO

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

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

## BOARD OF DIRECTORS (CONTINUED)

### Chairman and CEO (Continued)

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

### Appointments, Re-election and Removal

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

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

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

### Directors' Securities Transactions

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code. Having made specific inquiries to Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2015.

### Directors and Officers Liabilities Insurance

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

### Supply of and Access to information

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

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

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

### Directors' Training

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

| Directors | Type of Training (see remarks) |
|---|---|
| Mr. Hao Jian Min | A, C |
| Mr. Yung Kwok Kee, Billy | A, C |
| Mr. Zhang Guiqing | A, B, C |
| Mr. Xiang Hong | A, B, C |
| Mr. Wang Man Kwan, Paul | A, B, C |
| Mr. Liu Jun (appointed in December 2015) | A, C |
| Mr. Yang Hai Song (resigned in December 2015) | C |
| Dr. Chung Shui Ming, Timpson | A, C |
| Mr. Lam Kin Fung, Jeffrey | A, C |
| Mr. Lo Yiu Ching, Dantes | A, B, C |

Remarks:
A: attending seminars or trainings
B: giving talks at seminars
C: reading materials relevant to the director's duties and responsibilities

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

## CORPORATE STRATEGY AND BUSINESS MODEL

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

Details of the Group's business and financial review in the year 2015 are set out in the "Management Discussion and Analysis" section of this annual report.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

### Internal Controls

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

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

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

## DELEGATION BY THE BOARD

### Board Proceedings

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

## DELEGATION BY THE BOARD (CONTINUED)

### Board Proceedings (Continued)

To safeguard their independence, Directors are required to declare their direct/indirect interest, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from voting. In 2015, Mr. Hao Jian Min and Mr. Yang Hai Song abstained from voting in two meetings due to a potential conflict of interest.

### Board Committees

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

### Executive Committee

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

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

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

During the year, the Executive Committee held 47 meetings to:

- review and approve various bank loans and facilities;
- approve the change of bank signatories;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- bring the members of the Board up-to-date on the latest developments of regulatory issues and corporate governance.

### Audit Committee

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

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

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

The Audit Committee held four meetings during 2015 and has reviewed:

(i) the Group's financial reports for the year ended 31 December 2014, interim and quarterly results;

(ii) the audit plans from the external auditor;

(iii) the internal and independent audit results;

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

(v) internal control and financial reporting system; and

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

## DELEGATION BY THE BOARD (CONTINUED)

### Audit Committee (Continued)

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

### Remuneration and Nomination of Directors and Senior Management

### Remuneration Committee

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

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

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

During the year, the Remuneration Committee has five members, namely Mr. Hao Jian Min, Mr. Yung Kwok Kee, Billy, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non- executive Directors. The Committee is chaired by Mr. Lam Kin Fung, Jeffrey. Mr. Hao Jian Min has ceased to be and Mr. Zhang Guiqing has been appointed as a member of the Remuneration Committee with effect from 17 March 2016.

The Remuneration Committee held one meeting during 2015 and has reviewed:

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

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

### Nomination Committee

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

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

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

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

## DELEGATION BY THE BOARD (CONTINUED)

### Nomination Committee (Continued)

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

During the year, the Nomination Committee has four members, namely Mr. Hao Jian Min, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non-executive Directors. The Committee is chaired by Mr. Hao Jian Min but he has ceased to be the chairman of the Nomination Committee with effect from 17 March 2016. Mr. Lo Yiu Ching, Dantes and Mr. Zhang Guiqing have been appointed as the chairman and as a member of the Nomination Committee respectively effective on the same day.

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

## COMPANY SECRETARY

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

## COMMUNICATION WITH SHAREHOLDERS

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

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

During the year, the Company has not complied with CG Code A.6.7 which requires the independent non-executive Directors to attend the general meeting. Due to an overseas engagement, Dr. Timpson Chung Shui Ming, one of the independent non-executive Directors, was unable to attend the annual general meeting of the Company held on 2 June 2015. However, all other independent non-executive Directors were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

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

Save as disclosed above, the Company has strictly complied with all CG Codes in 2015.

## SHAREHOLDERS' RIGHTS

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

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

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

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

## SHAREHOLDERS' RIGHTS (CONTINUED)

### Procedures for Shareholders to Put Forward Proposals at General Meetings

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

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

### Enquiries to the Board

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

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

## ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings, meetings of Board committees and annual general meeting held in 2015 are set out in the following table:

| Name of Directors | Board Meetings *(Note)* | Audit Committee Meetings | Remuneration Committee Meetings | Nomination Committee Meetings | Annual General Meeting |
|---|---|---|---|---|---|
| Mr. Hao Jian Min | 6/7 | N/A | 1/1 | 1/1 | 1/1 |
| Mr. Yung Kwok Kee, Billy | 4/7 | N/A | 1/1 | N/A | 1/1 |
| Mr. Zhang Guiqing | 7/7 | N/A | N/A | N/A | 1/1 |
| Mr. Xiang Hong | 7/7 | N/A | N/A | N/A | 1/1 |
| Mr. Wang Man Kwan, Paul | 7/7 | N/A | N/A | N/A | 1/1 |
| Mr. Liu Jun (appointed in December 2015) | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Yang Hai Song (resigned in December 2015) | 6/6 | N/A | N/A | N/A | 1/1 |
| Dr. Chung Shui Ming, Timpson | 5/7 | 4/4 | 1/1 | 1/1 | 0/1 |
| Mr. Lam Kin Fung, Jeffrey | 7/7 | 4/4 | 1/1 | 1/1 | 1/1 |
| Mr. Lo Yiu Ching, Dantes | 7/7 | 4/4 | 1/1 | 1/1 | 1/1 |

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

## AUDITOR'S REMUNERATION

For the year ended 31 December 2015, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately HK$1,850,000 and HK$40,000 respectively. The non-audit services payable included professional services rendered in connection with the Group's continuing connected transactions.

## CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2015.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EXECUTIVE SUMMARY

### Guideline

This is the first Environmental, Social and Governance (ESG) report issued by the Group in accordance with the ESG Reporting Guide set out in Appendix 27 of the Listing Rules. This report aims to increase the understanding of the Company's stakeholders towards the Group's ESG performances. The Board has reviewed and approved the report and acknowledged its accuracy, truthfulness and completeness.

### Scope of Report

This report covers the environmental and social performance of the Group for the financial year ended 31 December 2015. As this is the first ESG report of the Group, some aspects are not included. The Group will continue to widen the scope and optimize the framework in the coming reporting cycles. Data were collected from relevant departments of the Company as well as various stakeholders. The compilation of this report may not be satisfactory owing to a number of objective restrictions. The Company will continue to improve on the content and delivery of information disclosed in the report.

### Feedback

The Group is committed to making this report easy to read and improving its content on a continual basis. For inquiries and recommendations, please contact our corporate communications department.

China Overseas Grand Oceans Group Limited
Address: Unit 6703, Level 67, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Fax: +852 2529 9211
Email: cogo.pr@cohl.com

## OUR APPROACH TO SUSTAINABILITY

The Group has been following the vision of its parent company, COHL — "Exercise caution in details and implementation; build a strong foundation to seek greater success". With outstanding customer satisfaction and company goodwill, the Company engages primarily in the emerging cities and has been striving to become a Chinese residential property developer with strong growth and the highest investment potential.

The Group has established a fully integrated value chain service offering, ranging from property investment, project design, building and construction, marketing, and after sales service. The Company is committed to strive for satisfactory returns to all stakeholders including shareholders and investors by leveraging its capable management expertise, broad-based talents, and high-quality services.

Compliant with all the laws and regulations and maintaining a stringent code of conduct, the Group is committed to transform itself into a sustainable property developer. As such, we have established a supplier selection process to achieve win-win partnerships. On talent recruitment and retention, the Company has been improving its incentive scheme and human resources strategy, optimizing system structure and monitoring closely the training and development opportunities as well as fringe benefits provided. Committing to taking on corporate social responsibility, the Company focuses on local communities where its projects are located, offering volunteer services in alleviating poverty, expanding Hope School and promoting youth education.

## COMMITMENT TO OUR PEOPLE

The Group has aligned its long-term development prospects with its employees' development. Following a people-oriented approach, we implement a systematic recruitment, training and incentive platform, providing internal fuel for the growth of the Company. In doing so, we create a desirable workplace for our employees to develop and flourish.

As at 31 December 2015, the Group has 1,343 full-time employees in Hong Kong and mainland China. No cases regarding child labor, forced labor or other illegal acts were reported by the Group during the period. The following tables summarize the employment data in age and gender.

### Employee Composition (as at 31 December 2015)

| Full-Time Employees | Total |
|---|---|
| Female | 390 |
| Male | 953 |
| **Total** | **1,343** |

| Age Group | Total |
|---|---|
| <30 | 634 |
| 30-50 | 695 |
| >50 | 14 |
| **Total** | **1,343** |

The Group recognises the importance of nurturing talents for our future development. During the year, we attracted new outstanding talented labour force from universities for the Group's sustainable development. To further expand our middle to senior management team, we successfully recruited 65 management personnel through a society recruitment scheme to join the headquarters and regional offices. The recruitment effectively strengthened the professional and technical capability of the Group and our core competencies. In addition to campus recruitment and society recruitment, the Company is also committed to promoting from within, enabling existing corporate talents to thrive in key positions.

### Training and Development

The Group advocates the talent-deployment policy by integrating employees' development into the long-term development of the Company. The Group targets to build up the core competitiveness of our team and enhance the all-round development and expertise of our staff. Through the e-learning academy from our parent company, the Company provides training through short-term off-site exchange tours, focus learning, video conferencing and discussion platforms, enhancing core competencies of our team and equipping our employees with professional knowledge and superior qualities. During the year, the Company organized 1,069 training events with 10,177 participants in total. The Company actively creates a healthy and positive team spirit and cultivates a learning culture by organizing a series of training activities so as to boost the morale and sense of belonging. The Company will continue to help fulfil our employees' personal ambitions by offering opportunities for promotion, internal transfer, and inter-company job rotation. During the year, there were a total of 405 staff mobilizations took place. The Company strives to meet the employees' pursuit of career development by setting up mutual respect of management and technical development side-by-side.

| Percentage of employee trained | Percentage |
|---|---|
| Percentage of top management trained | 33% |
| Percentage of middle management trained | 42% |
| Percentage of junior staff trained | 55% |

The Company values the professional competence of its employees. By adopting an integrated training programs and job rotation, we have provided additional support to our employees, raising their professional level of competency and deepening their understanding about the vision and mission of the Group. Catering to the current business environment and development stage of the Company, we focus on the advancement of the organizational management model and human resources management system and enhance its platform for talent recruitment, deployment, development and retention, ensuring the realization of the Group's strategic objectives. During the year, the turnover rate of employees was 18%. Retirement and voluntary resignation are the major reasons for employees aged 50 or above that departed the Group.

### Employee Turnover Rate (as at 31 December 2015)

| Age | <30 | 30-50 | >50 |
|---|---|---|---|
| Mainland China | 19.5% | 17.2% | 18.10% |

### Employee Satisfaction

The Group has a well-established human resources management system. Through continual improvement on performance appraisal schemes and remuneration packages, we have struck a balance between the development of the Company and our employees, raising employee's level of satisfaction and sense of belonging. Starting from 2010, the Company has utilized an online platform to perform a half-yearly/yearly satisfaction survey, aiming to monitor and improve management qualities. The survey is targeted at all employees with open-ended questions on workplace quality, morale and remuneration. Employees are encouraged to provide opinions which will be included when formulating the long-term development plan of the Company. After analyzing the results of the survey, the Company issued an employee satisfaction report and announced the improvement points going forward. In 2015, our employees rated their level of satisfaction with an average score of over 90 (out of 100). Employees rated management and strategy, company culture and labor-management relations highly.

### Employee Engagement

The Group has supported and encouraged different levels of management to have constructive communication with their subordinates, aiming to create a transparent workplace and foster the development of a well-functioned decision-making mechanism. Aided by both online and face-to-face engagement channels, such as intranet, company meetings and video conferencing, we have ample ways to communicate with our employees on company policies, strategy, operating moves, etc. We have set up a staff association to organise a wide range of team building events such as recreational and sport activities, aiming to foster friendship between employees and achieve work-life balance. The subsidiaries of the Company in different regions have also set up their own staff associations to boost the sense of belonging and employee cohesiveness.

### Equal Opportunity

When the Company determines recruitment and promotion of individuals, including basic salaries and fringe benefits of new employees, it focuses mainly on their past experience, qualifications and professional competence without discrimination against gender, age, family status, disability, race and religion. The Company also respects the freedom and rights to participate in relevant industry associations of each staff.

We have established a well-rounded human resources management system which regularly evaluates policies on remuneration packages, recruitment and promotions, internal transfers and secondments, management of resignation and termination, working hours, employment qualifications and performance appraisals.

### Putting Safety First

With our core business focusing on property development and investment, the Group experiences a lesser degree of occupational health and safety risk. Nevertheless, the Company has continued to optimize its work practices and daily management of its staff's health and safety with the aim to create a safe, healthy and comfortable work environment. In addition to arranging an annual medical checkup for all staff in accordance with its staff welfare policy, the Company also provides "general social security insurance" covering medical issues, pension planning and unemployment and offers "traffic accidental injury insurance" for the staff who constantly go on business trips and "director's liability insurance".

The Company maintains regular safety inspections to the office premises and project sites and appropriate measures on fire safety and theft prevention were also stipulated and adopted. The Company works closely with business partners such as contractors and subcontractors to promote occupational health and safety management at project sites under construction. Safety tests are conducted before commencement and safety inspections are carried out on construction sites every month in accordance with regulatory standards and terms of contracts to ensure safe construction operations.

## BUILDING GREEN

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

The Group maintains a strict supplier selection process by evaluating their environmental performance such as considering the environmental management system certification. During the year, 150 new suppliers were added to the list, 100 of which have obtained the environmental management system certification. As at 31 December 2015, the Group has 1,609 suppliers on the list and more than 50% of them have obtained the certification. Suppliers which are not up to our standards may be suspended or removed from the list.

The Company has set up open channels for water disposal. At sites where relatively larger amounts of waste water must be disposed of, a small-scale waste water sediment pool is set up. This system, with an appropriate incline designed in accordance with the direction of water flow, ensures smooth disposal of waste water and connection with the local sewage system.

## ANTI-CORRUPTION

The Group puts strong emphasis on integrity, requiring all employees to raise the awareness of personal and business ethics including law-abiding behavior and practices. To assist the effort in anti-corruption education and bribery prevention in the form of voluntary commitment, the Company also signs the "Letter of Undertaking of Integrity and Self-discipline for the General Manager of Regional Companies" and "Letter of Undertaking of Integrity and Self-discipline for Senior Leaders of Regional Companies" along with the senior leaders of different regional companies in the beginning of every year.

On the other hand, the Company has continued to improve the reporting mechanism of the integrity records and personal particulars (including key financial terms) of the senior leaders of regional companies. It has recorded and managed the information related to personal integrity in their positions and duties, status of family members, condition of part-time work. At the same time, it has conducted an accountability audit to ensure that the Intendance and Audit Department of the Company obtains first-hand information related to the integrity of senior leaders of the regional companies. The Company has also reminded senior leaders to uphold integrity and disciplined behavior through requests for information and reports

Since the establishment of the Company, an integrated management department has been responsible for monitoring the management decisions of the Company. During the year, the Intendance and Audit Department was set up to optimize the internal controls and to broaden its internal and external reporting channels and enhance its internal and external supervision, preventing any employee misconduct. In 2015, there was no bribery case reported by the Company.

## COMMITMENT TO OUR COMMUNITY

The Group is devoted to take on corporate social responsibility by partnering with charitable organizations in China and Hong Kong such as The Community Chest and Bridge to China Charitable Foundation, and has been encouraging its employees to serve the local community. The Group is able to contribute to the development of domestic economies in cities where the Company has operations such as Ganzhou, Yinchuan and Nanning, pursuing the profit together with the corporate social responsibility. During the year, our volunteer team has contributed more than 1,000 hours of volunteer work to society with more than RMB500,000 in donations. It is the commitment of our Company to continue playing an active role in contributing to society and make it a better place to live in.

## COMMUNITY PROJECTS SUPPORTED IN 2015

### Education

| Beneficiaries | Description | Resources Sponsored<br>Estimated Monetary Value (RMB) | Volunteer hours |
|---|---|---|---|
| Yangtian Primary School, Ganzhou* | Donation and provide one-to-one guidance | 99,000 | 264 |
| | Donation of a school library with construction done by employees | 100,000 | 360 |
| China Overseas Jinfeng Hope School* | Donation of scholarship | 55,000 | – |
| | Donation of rope to promote rope skipping | 4,500 | – |
| School in Banner Xiaying City, Zhuozi Banner Xiaying, Ulanqab City, Inner Mongolia* | Organized a books donation event | 6,000 | 12 |
| Primary School in Yuzhong County, Yinshan, Lanzhou | Donation of sports equipment to primary schools | 5,000 | – |
| Jiangnan Primary School, Jilin City* | Organized a books donation event | 6,000 | 4 |
| Four primary schools for the deaf in Shushan Area, Hefei City | Organized a public books donation event | 28,100 | 4 |

### Culture and Art

| Beneficiaries/Organizer | Description | Resources Sponsored<br>Estimated Monetary Value (RMB) | Volunteer hours |
|---|---|---|---|
| China Overseas Group and TREATS | Organized an art exchange programme for students in mainland China and Hong Kong — some workshops held in the Company's regions | – | – |
| Beijing Disable People's Performing Art Troupe | Sponsored the performing art event of "Let the Love Spread" (Yancheng Subsidiary) | 12,000 | – |
| China Council of Lion Clubs | Organized the "Love and Peace Poster" fancy fair event (Nantong subsidiary) | 5,000 | 12 |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

## COMMUNITY PROJECTS SUPPORTED IN 2015 (CONTINUED)

### Community Programme

| City | Description | Resources Sponsored<br>Estimated Monetary Value (RMB) | Volunteer hours |
|---|---|---|---|
| Guilin, Nanning | Organized the "Chasing our own dreams to build a better future" (Guilin City) | 12,355 | 4 |
| | Organized a care event for the construction workers in Guilin and Nanning cities | 7,500 | 2 |
| | Organized the "Running man" fundraising run in Nanning city | 22,000 | 3 |
| | Organized a life experience camp for children in Nanning city (focused on household safety for children aged 4 -16) | 4,000 | 6 |
| Hohhot | Organized a workshop to let youth understand different kinds of culture and ethnic groups in mainland China (for children aged 3 -12) | – | 16 |
| Hefei | Organized a job showing programme for children aged 6 -16 in view of letting them experience the operations of management of an estate | 12,000 | 48 |
| | Organized a care event for construction workers in Hefei | 6,000 | 2 |
| | Organized a hiking activity for residents to join in view of promoting environmental protection | 25,000 | 5 |
| Yancheng | Organized a day trip exploring the beauty of nature | 22,320 | 6 |
| Lanzhou | Organized a piano performance event for the children in the residential area | 28,000 | – |
| | Launched an environmental concern group in the residential area to promote a green culture | 1,100 | – |
| Ganzhou | Organized a planting trees event | 9,000 | 20 |
| | Promoted "Lei Feng spirit" in view of building a better society | 800 | 30 |
| | Organized a fun day for children in the residential area | 1,600 | 30 |
| | Organized a meet up for the residents to share their difficulties in daily lives | 100 | 60 |
| | Organized the second meet up for the residents | 100 | 60 |
| | Organized a football match to celebrate the New Year's Day | 2,000 | 30 |
| Changzhou | Organized a day trip to Gaochun for the residents | – | – |
| Shaoxing | Organized a summer camp organized for the children in residential area | 5,000 | 3 |

## COMMUNITY PROJECTS SUPPORTED IN 2015 (CONTINUED)

### Community Programme (Continued)

| City | Description | Resources Sponsored<br>Estimated Monetary Value (RMB) | Volunteer hours |
|---|---|---|---|
| Nantong | Organized a renovation seminar for housing estate | Sponsored by other parties | 12 |
| | Organized a birthday party for residents in the area | 2,000 | – |
| | Organized an event celebrating the children's day | 2,400 | 24 |
| | Organized an event celebrating the Dragon Boat Festival | 8,000 | – |
| | Organized a summer course for the children in residential area | 4,387 | – |
| | Organized an event celebrating the Mid-Autumn Festival | 5,078 | – |
| **Total** | | **501,340** | **1,017** |

* *English translation is for identification only.*

*Case 1 — Donation of Yangtian Primary School*

Situated in the Dingnan County of Jiangxi Province, Yangtian Primary School has 87 teachers and students in total, while 80% of the students are children of migrant workers and they are living in poverty. The subsidiary in Ganzhou noted that there were 15 outstanding students in the school. However, due to the poor financial condition of their families, the students were not able to pay their school fees and they were about to be suspended from school. After learning of the situation, our management team took it seriously. Our management executives themselves sponsored and took good care of 10 of the students on a one to one basis while the rest of them are sponsored by employees of the subsidiary in Ganzhou. The financial assistance provided to each student amounted to RMB 600 per quarter.

*Case 2 — Ganzhou Collage Art Workshop in Ganzhou*

The Ganzhou sub-club of China Overseas Club organized a "Dream Comes True" art workshop in the Yangtian Primary School on 21 May 2015 while also organizing the second part of the event in the sales office of China Overseas (Ganzhou) on 31 May 2015. The event was successful and had overwhelming support from the residents of the area who brought their kids to join the event. The topic chosen for the event was "The Global Village and Society". Many residents said that this was a valuable event which allowed them to accompany their own kids as they lack time to do so due to a high workload during workdays. Children were also able to meet more friends during this event. The event had also successfully fostered the communication of different residents in the area.

Charitable walk for Bridge to China Charitable Foundation

"Dream Comes True" art workshop in Ganzhou

"Dream Comes True" art workshop in Yinchuan

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

*Case 3 — A successful "Dream Comes True" Collage Art Workshop organized by Yinchuan subsidiary*

Organized by China Overseas group and TREATS, the "Dream Comes True" event (an art exchange programme for students in mainland China and Hong Kong) had a view to provide a platform for children in mainland China and Hong Kong to express their feelings and thoughts through collage art. During the event, the children had to cooperate with each other. This successfully fostered the communication of children from different backgrounds. This also promoted the concept of social diversity and reduced discrimination or bias between children. After the successful Collage Art event in 2014, the Yinchuan subsidiary brought the children from the residential area in International Community to the China Overseas Jinfeng Hope School to complete the collage with the students in the primary school on 23 — 24 May 2015.

With the help of volunteers, the children had a wonderful weekend with the students in the primary school. Children from different backgrounds were able to learn and grow together in a "Music and Dance" lesson. The ice-breaking games and the school tour brought the two groups of children together while letting them know more about the living environment of each other. Some of the children even became really good friends after the event. Smiley faces emerged from the primary school students when the volunteers passed them the stationary gifts as many could not afford to buy even a pair of scissors.

Community Recruitment

Staff Activities

Group Learning

# DIRECTORS AND ORGANIZATION

## NON-EXECUTIVE DIRECTORS:

**MR. HAO JIAN MIN**, *Chairman*

Aged 51, holds a master degree from Harbin Institute of Technology in the PRC and a master degree in Business Administration from Fordham University in the U.S.. Mr. Hao was designated as chairman and non-executive Director of the Company in February 2010 and is responsible for giving strategic advice and formulating development plans of our Group. He has ceased to be the chairman of Nomination Committee and member of Remuneration Committee of the Company with effect from 17 March 2016.

Prior to joining the Group, Mr. Hao joined CSCEC in 1987 and joined COHL in 1989. He was appointed as a director of a subsidiary of COLI in 1997 and was subsequently designated as a director of certain other subsidiaries of COLI. Mr. Hao was appointed as executive director of COLI in September 2005, vice chairman of COLI in November 2006 and chief executive officer of COLI in June 2007. He was appointed as chairman of COLI in August 2013 and continues to be the chief executive officer of COLI.

Besides acting as the chairman and non-executive Director of the Company, the executive director, chairman and chief executive officer of COLI and a director of certain of its subsidiaries, Mr. Hao is currently the chairman and non-executive director of COPH and a director of certain of its subsidiaries, and a vice chairman and general manager of COHL and a director of certain of its subsidiaries. COHL and COLI are the substantial shareholders of the Company within the meaning of the SFO.

Mr. Hao has approximately 29 years of experience in property and corporate management.

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

Aged 62, received a bachelor degree in Electrical Engineering from University of Washington and a master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in US, Hong Kong and China. He has also over 30 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. Mr. Yung resigned as the group chairman and chief executive of the Company with effect from 10 February 2010 and has been re-designated from chairman of the Board and executive Director to vice chairman of the Board and non-executive Director of the Company with effect from 27 February 2010. He is now the vice chairman, non-executive Director and member of the Remuneration Committee of the Company. Mr. Yung is currently a member of 12th Chinese People's Political Consultative Conference Guangzhou Committee, the Permanent Honorary President of Friends of Hong Kong Association Ltd., the Honorary President of Shun Tak Fraternal Association, a member of Central Advisory Board, Junior Police Call and was awarded the Honorary Citizen of the City of Guangzhou and the Honorary Citizen of the City of Foshan.

## EXECUTIVE DIRECTORS:

**MR. ZHANG GUIQING**, *Chief Executive Officer*

Aged 43, holds a bachelor degree from the Shenyang Jianzhu University and a master degree from the Harbin Institute of Technology. He joined a subsidiary of COHL as engineer in 1995 and since then, he worked in various business units within COHL and COLI, such as, development management department, marketing and planning department, general manager of Suzhou, Shenzhen and Northern District regional companies. He has 20 years' experience in property development and corporate management. Mr. Zhang has been appointed as the chief executive officer and executive director of the Company with effect from December 2014. He has also been appointed as a member of the Nomination Committee and the Remuneration Committee of the Company with effect from 17 March 2016.

# DIRECTORS AND ORGANIZATION *(CONTINUED)*

## EXECUTIVE DIRECTORS: (CONTINUED)

**MR. XIANG HONG**, *Vice President*

Aged 48, is a senior accountant and holder of master's degree, graduated from Hangzhou Institute of Commerce and Murdoch University in Australia. He has more than 22 years' experience in corporate financial management. Mr. Xiang joined COLI in 1993 and was appointed as a deputy financial controller of a COLI's subsidiary in February 2006. He was subsequently designated as the deputy financial controller of COLI in November 2009 and resigned from the post in July 2011. Mr. Xiang was appointed as the Company's chief financial officer and executive Director in February 2010 and has been re-designated as vice president and executive Director since July 2011.

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

Aged 59, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Wang is a fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also an associate member of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Wang joined COLI as general manager, Finance & Treasury Department in December 2004. Between February 2005 and August 2009, he was appointed as executive director and deputy financial controller and qualified accountant of COLI. Prior to joining COLI, Mr. Wang was director and chief financial officer of Guangdong Investment Limited. Mr. Wang has extensive experience in corporate restructuring and corporate financial services. His previous experience includes working in the Hong Kong Inland Revenue Department, Jardine Matheson (Company Secretary's Department and JMS Finance), Deloitte (Hong Kong and Toronto offices) and as a director and chief operating officer of a South East Asian Group in charge of operations in China, Philippines, Indonesia, Singapore, Dubai and Germany. Mr. Wang was appointed an executive Director and chief financial officer of the Company in July 2011.

**MR. LIU JUN**, *Assistant President*

Aged 42, holds a bachelor degree from the Jiangxi University of Finance and Economics and a master degree from Victoria University, Switzerland. He has 18 years' experience in property development business. He joined a subsidiary of COHL in 1997 and served in different positions, such as, the assistant general manager of finance department of COHL, chief accountant of China Overseas Property Management Co., Limited*, deputy general manager of finance and treasury department of China Overseas Property Joint Stock Company Limited*, chief financial officer of Shenzhen China Overseas Property Limited*, director of China Overseas Property Group Limited and general manager of finance and treasury department (Hong Kong) of COLI. Mr. Liu has been appointed as assistant president of the Company since February 2015 and has been appointed as an executive director of the Company with effect from December 2015.

# DIRECTORS AND ORGANIZATION *(CONTINUED)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

Aged 64, holds a bachelor of science degree from the University of Hong Kong, a master's degree of business administration from the Chinese University of Hong Kong and a Doctor of Social Sciences honoris causa from the City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. Dr. Chung is currently a member of the National Committee of the 12th Chinese People's Political Consultative Conference. Besides, Dr. Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited, China Everbright Limited, Henderson Land Development Company Limited, China Construction Bank Corporation and Jinmao (China) Investments Holdings Limited (all listed on the Stock Exchange). Dr. Chung is also an independent director of CSCECL (listed on the Shanghai Stock Exchange and is the substantial shareholder of the Company within the meaning of the SFO). From October 2004 to November 2008, Dr. Chung served as an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited. Formerly, Dr. Chung was an independent director of China Everbright Bank Corporation Limited, an independent non-executive director of Nine Dragons Paper (Holdings) Limited, a director of Hantec Investment Holdings Limited, the chairman of China Business of Jardine Fleming Holdings Limited, the deputy chief executive officer of BOC International Limited, the independent non-executive director of Tai Shing International (Holdings) Limited, and the chairman of the Council of the City University of Hong Kong. He was also the chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority, a member of the Disaster Relief Fund Advisory Committee and a vice-chairman, director & deputy general manager of Nanyang Commercial Bank Limited and the chief executive officer of the Hong Kong Special Administrative Region Government Land Fund Trust. Since May 2010, Dr. Chung has been appointed as an independent non-executive Director of the Company, chairman of the Audit Committee, and members of both the Remuneration Committee and Nomination Committee of the Company.

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

Aged 64, holds a bachelor's degree from Tufts University in USA. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing. He is also a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lam also holds a number of other public and community service positions including non-official member of the Executive Council, member of the Legislative Council in Hong Kong, chairman of the Assessment Committee of the Mega Events Funds, member of the Fight Crime Committee, council member of Hong Kong Trade Development Council, general committee member of Hong Kong General Chamber of Commerce, chairman of Independent Commission Against Corruption (ICAC) Complaints Committee and a director of Heifer International — Hong Kong. In addition, he is an independent non-executive director of CC Land Holdings Limited, Wynn Macau, Limited, Bracell Limited, Chow Tai Fook Jewellery Group Limited and HNA International Investment Holdings Limited. Formerly, Mr. Lam was an independent non-executive director of Hsin Chong Construction Group Limited. Since May 2010, Mr. Lam has been appointed as an independent non-executive Director of the Company, and he is currently the members of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee of the Company.

# DIRECTORS AND ORGANIZATION *(CONTINUED)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS: (CONTINUED)

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

Aged 69, graduated in London in 1970 and further obtained his Master of Science degree in civil engineering from the University of Hong Kong in 1980. He is a fellow of the Institution of Civil Engineers; a fellow of the Institution of Structural Engineers; a fellow of the Hong Kong Institution of Engineers and a member of the China Civil Engineering Society.

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

Mr. Lo is a Justice of the Peace. Mr. Lo had been a part-time senior consultant to the Hospital Authority on capital planning. He has been appointed as a distinguished adjunct professor in the Department of Civil Engineering, University of Hong Kong since 2003. Since May 2010, Mr. Lo has been appointed as an independent non-executive Director of the Company, members of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He has also been appointed as the chairman of the Nomination Committee of the Company with effect from 17 March 2016. In addition, Mr. Lo has been appointed as advisor to CEO of The Airport Authority Hong Kong with effect from June 2015.

## SENIOR MANAGEMENT STAFF:

**MR. WANG RAN**, *Assistant President*

Aged 46, graduated from the Ji Lin University with a Doctor of Engineering. He joined China Overseas Property (Chang Chun) Limited* ("China Overseas Property (Chang Chun)") in 2003 and since 2007, he served in different positions, such as, the assistant general manager of China Overseas Property (Chang Chun) and China Overseas Property Group (Northern China) Co., Ltd.*, and the general manager of China Overseas Grand Oceans Property Development (Jin Lin) Co., Ltd.* and China Overseas Property (Chang Chun). Mr. Wang has been appointed as Assistant President of the Company since March 2015 and has 22 years' experience in property development business.

## SENIOR MANAGEMENT STAFF: (CONTINUED)

**MR. YANG LIN**, *Assistant President*

Aged 42, graduated from the Peking University with a Master of Business Administration. He joined a subsidiary of COHL in 1995 and since 2006, he served in different positions, such as, the deputy general manager and general manager of the marketing and planning department of China Overseas Property Group Co., Ltd. and the general manager of China Overseas Property Group (Xi'an) Co., Ltd.*. Mr. Yang has been appointed as Assistant President of the Company since March 2015 and has 20 years' experience in property development business.

**MR. CHENG XIN**, *Assistant President*

Aged 40, graduated from the Civil Engineering School of the Southeast University. He joined CSCEC in 1996 and since 2002, he served in different positions, such as, the assistant general manager of the investment management division, the deputy general manager of the development management division of China Overseas Property Group Co., Ltd., and the general manager of China Overseas Property Group (Ningbo) Co., Ltd.*. Mr. Cheng has been appointed as Assistant President of the Company since March 2014 and has 19 years' experience in property development business.

* *English translation is for identification only.*

# DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Group are property investment and development, property leasing and investment holding. Details of the activities of its subsidiaries and principal joint venture are set out in note 45 and note 46 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

## BUSINESS REVIEW

A fair review of the business of the Company as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 10 to 26 of this Annual Report. These sections form part of this Directors' Report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 63.

The Board did not recommend the payment of final dividend for the year ended 31 December 2015 (2014: HK1.0 cent per share).

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 142.

## SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the redemption of all Convertible Bonds mentioned in the note 26 to the financial statements, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2015.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 30 to the financial statements respectively.

## DISTRIBUTABLE RESERVE

The reserve of the Company available for distribution to shareholders at 31 December 2015 was HK$653,574,000 (2014: HK$485,114,000).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

## MAJOR PROPERTIES

Particulars of the major properties and property interests of the Group as at 31 December 2015 are set out on pages 143 to 150.

## DIRECTORS OF THE COMPANY

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

### Non-executive Directors

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

### Executive Directors

Mr. Zhang Guiqing *(Chief Executive Officer)*
Mr. Xiang Hong *(Vice President)*
Mr. Wang Man Kwan, Paul *(Chief Financial Officer)*
Mr. Liu Jun *(Assistant President) (appointed in December 2015)*
Mr. Yang Hai Song *(resigned in December 2015)*

### Independent Non-executive Directors

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

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

In accordance with article 107 of the Company's articles of association, Mr. Hao Jian Min, Mr. Xiang Hong and Mr. Lam Kin Fung, Jeffrey shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition, Mr. Liu Jun was appointed as Director in December 2015 to fill a casual vacancy and shall be eligible for re-election at the forthcoming annual general meeting pursuant to article 98 of the Company's articles of association.

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

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

## DIRECTORS OF SUBSIDIARIES

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at www.cogogl.com.hk under the "Corporate Governance" section.

## DIRECTORS AND ORGANIZATION

Brief biographical details of Directors and senior management as at the date of this report are set out on pages 43 to 47.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There is no transaction, arrangement or contract of significance subsisting during or at the end of the financial year 2015 in which the Directors or an entity connected with him is or was materially interested, either directly or indirectly.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

# DIRECTORS' REPORT *(CONTINUED)*

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

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

## CONVERTIBLE BONDS

In March 2012, the Group had successfully issued the Convertible Bonds, which had been fully redeemed on 21 March 2015. Details of the Convertible Bonds are set out in note 26 to the financial statements.

## PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association and subject to the provisions of the Companies Ordinance, each Director, former Director, other officer or other former officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that such articles shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has also maintained appropriate directors and officers liability insurance coverage for the Directors and officers of the Group during the year.

## SHARE OPTION SCHEME

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

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

## SHARE OPTION SCHEME (CONTINUED)

Subject to the maximum personal entitlement of not more than 1% of the total number of shares in issue for any 12-month period, the Board may, at its absolute discretion, offer any eligible person options to subscribe for 44.7 million shares in the Company, representing 1.96% of the total number of shares in the Company in issue as at 31 December 2015. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as a consideration for option granted and exercise the option at any time during a period not longer than 10 years from the date of offer.

The said 44.7 million shares represents the maximum number of shares that can be granted under the Option Scheme and 10% of the total number of shares in the Company in issue as at 11 May 2005 unless the Company obtains a further approval from its shareholders in general meeting for refreshing such 10% limit.

No option has been granted pursuant to the Option Scheme since its adoption and the Option Scheme has expired on 11 May 2015.

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

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

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

(c) the nominal value of the shares.

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

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES BY DIRECTORS

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

## EQUITY-LINKED AGREEMENTS

Other than the Option Scheme as disclosed above and the Subscription Agreement for Convertible Bonds mentioned in the note 26 to the financial statements, no equity-linked agreement was entered by the Group, or existed during the year.

# DIRECTORS' REPORT *(CONTINUED)*

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2015, the Directors and the chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Long positions in shares of the Company

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

*Notes:*

*(1) the percentage is based on the total number of shares of the Company in issue as at 31 December 2015 (i.e. 2,282,239,894 shares).*

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

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2015, any interest in, or had been granted any right to subscribe for the shares and options and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, the following persons (other than Directors or the chief executive of the Company) were interested in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

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

*Notes:*

*(1) the percentage is based on the total number of shares of the Company in issue as at 31 December 2015 (i.e. 2,282,239,894 shares).*

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

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

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the chief executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2015.

## CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

### (a) Connected Transactions

(1) *Disposal of 100% Equity Interest in 中海宏洋物業管理有限公司 (China Overseas Grand Oceans Property Management Limited*) ("COGOPM")*

On 18 May 2015, China Overseas Grand Oceans Property Group Company Limited (the "Seller", a subsidiary of the Company) and 中海物業管理有限公司 (China Overseas Property Management Co., Ltd.*) (the "Purchaser") entered into an equity transfer agreement pursuant to which the Seller disposed 100% equity interest in COGOPM to the Purchaser for a consideration of approximately RMB50 million.

As the Purchaser is one of the subsidiaries of COLI, a controlling shareholder of the Company, it is a connected person of the Company and the transaction contemplated under the equity transfer agreement constitutes a connected transaction of the Company under the Listing Rules.

(2) *Formation of a Joint Venture Company with China State Grand Wealth Investments Limited ("CSGWI") and SAIF XINGHE Hong Kong Limited ("SAIF XINGHE")*

On 31 December 2015, the Company, CSGWI and SAIF XINGHE entered into the Joint Venture Agreement, pursuant to which the parties will establish a joint venture company with registered capital of approximately RMB550,185,000 to develop a land in Hefei into residential and commercial properties. The joint venture company will be owned indirectly by the Company as to 45%, CSGWI as to 45% and SAIF XINGHE as to 10%.

As CSGWI is a wholly-owned subsidiary of China State Construction International Holdings Limited ("CSC") and COHL is the controlling shareholder of both the Company and CSC, each of the Company and CSC is hence a connected person of each other under Chapter 14A of the Listing Rules. Accordingly, the joint venture transactions constitute connected transactions for each of the Company and CSC.

### (b) Continuing Connected Transactions

(1) *New Trademark Licence Agreement with COLI*

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

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

## CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

### (b) Continuing Connected Transactions (Continued)

(1) *New Trademark Licence Agreement with COLI (Continued)*

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

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

On 1 August 2014, 北京中京藝苑置業有限公司 (Beijing Zhong Jing Yi Yuan Zhi Ye Company Limited*) (the "Landlord"), a subsidiary of the Company, has entered into the Property Lease Agreements with the Tenants respectively for a term of three years commencing from 1 August 2014 and ending on 31 July 2017, the rent payable for each of the 12-month period is RMB14,005,000 and the principal terms of the Property Lease Agreements are set out below:

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

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

## CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

### (b) Continuing Connected Transactions (Continued)

*(3) Framework Agreement with China Overseas Property Holdings Limited ("COPH")*

Before the equity transfer mentioned in paragraph (a)(1) above, COGOPM and its subsidiaries were engaged to provide property management services to various property developments owned by the Group in the PRC. After completion of the equity transfer, COGOPM has become a subsidiary of COLI and subsequently a subsidiary of COHL. Since COHL is a controlling shareholder of the Company, its subsidiary, COGOPM is a connected person of the Company and hence, the existing property management agreements became continuing connected transactions of the Company.

The principal terms of the existing property management transactions are as follows:

- Parties: (1) Members of the Group and (2) COGOPM or its subsidiaries
- Terms: Fixed term ranging from 2 to 7 years
- Subject matter: provision of various property management services
- Fee payables: Depending on the local regulations, practices and terms of the property management agreements, the fee shall be paid monthly, quarterly or semi-annually with reference to gross floor area under management, estimated costs and expenses for rendering the services, and the pricing for comparable properties.

In addition to the existing agreements, the Company entered into Framework Agreement with COPH on 1 June 2015 with respect to various property management services to be provided by COPH or its subsidiaries from time to time for the term commencing from 1 June 2015 to 31 May 2018.

The prices, terms and conditions of the property management services to be provided by COPH pursuant to the Framework Agreement will be determined through a standard and independent tender evaluation process in compliance with the applicable laws and regulations. The tender process applies to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to COPH are no more favourable than those awarded to independent third parties.

Where selection of property management services provider through tender process is not required by the applicable laws, the Company will obtain at least three quotes from independent parties to compare COPH's.

* *English translation is for identification only.*

## CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

### (b) Continuing Connected Transactions (Continued)

*(3) Framework Agreement with China Overseas Property Holdings Limited ("COPH") (Continued)*

Furthermore, the annual fees payable for property management services provided pursuant to the Framework Agreement are capped as follows:

| For the period from 1 June 2015 to 31 December 2015 | For the year ending 31 December 2016 | For the year ending 31 December 2017 | For the period from 1 January 2018 to 31 May 2018 |
|---|---|---|---|
| RMB30 million (equivalent to approximately HK$37.8 million) | RMB50 million (equivalent to approximately HK$63 million) | RMB60 million (equivalent to approximately HK$75.6 million) | RMB35 million (equivalent to approximately HK$44.1 million) |

The Group has followed the policies and guidelines set out in our announcement dated 1 June 2015 when determining the prices and terms of the property management services provided pursuant to the Framework Agreement during the year 2015.

## REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

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

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 54 to 57 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

During the year, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## INTEREST IN CONTRACTS OF SIGNIFICANCE

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

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Following the redemption of the Convertible Bonds, the letter of credit facility agreement mentioned in our announcement dated 14 March 2012 requiring COLI to own not less than 30% interest in the Company was no longer applicable since March 2015.

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

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

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

## MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2015, sales to the Group's five largest customers together represented less than 30% of the Group's total turnover and purchases from the Group's five largest suppliers together represented less than 30% of the Group's total purchases.

## ENVIRONMENTAL POLICY AND PERFORMANCE, RELATIONSHIP WITH CONTRACTORS

The Group pursues to develop top-quality properties which emphasize environmental protection, energy conservation and sustainability of the natural environment. The Group strives to fulfill its obligations as a corporate citizen by constantly developing innovative properties which emphasize energy conservation and implement low-carbon building technologies during the construction, design, development and management stages of projects. We also strive to achieve standardization and minimize the wastage of resources to help build a green community. To this end, the Company maintains a strict supplier selection process by evaluating their environmental performance. As at 31 December 2015, the Company has 1,609 suppliers and more than 50% of them have obtained the environmental management certification. Suppliers who are not up to our standards may be suspended or removed from our list of suppliers.

## RELATIONSHIP WITH CUSTOMERS

We strive to deliver products and services that exceed our customers' expectations. We continue to engage customers through our exclusive tenant club which is both a driving force of the Company's community volunteering work as well as a critical source of feedback for us to remain as a trusted brand.

We also conduct customer satisfaction survey for our property projects on a regular basis. The objectives are to understand better the feedbacks of our customers and to provide a basis for any future improvement.

## RELATIONSHIP WITH EMPLOYEES

The Company aligns its long-term development prospects with its employees' development. Following a people-oriented approach, we implement a systematic recruitment, training and incentive platform, providing internal fuel for the growth of the Company. In doing so, we create a desirable workplace for our employees to develop and flourish.

## LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT

The Group's major business is property development in the PRC which is a heavily regulated industry. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments. To engage in property development, the Group must apply to relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities issue or renew any certificate or permit, the Group must meet the relevant requirements. Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a real estate development enterprise
- Qualification of a real estate developer
- Land for property development
- Sale of commodity properties
- Transfer of real estate
- Mortgages of real estate
- Real estate management
- Measures on stabilizing property prices
- PRC taxation
- Foreign currency exchange
- Labour protection

The Company is committed to complying with the above laws and regulations and in 2015, there was no reported case of material non-compliance.

# DIRECTORS' REPORT *(CONTINUED)*

## SUFFICIENCY OF PUBLIC FLOAT

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

## DONATIONS

During the year, the Group did not make any charitable and other donations (2014: nil).

## AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by BDO Limited who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Hao Jian Min**
*Chairman and Non-executive Director*

Hong Kong, 17 March 2016

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of China Overseas Grand Oceans Group Limited ("the Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 63 to 141, which comprise the consolidated statement of financial position as at 31 December 2015, 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. This report is made solely to you, as a body, in accordance with Section 405 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.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

Hong Kong, 17 March 2016

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Revenue** | 5 | 16,613,887 | 13,981,328 |
| Cost of sales and services provided | | (14,014,268) | (10,617,440) |
| Gross profit | | 2,599,619 | 3,363,888 |
| Other income | 7 | 105,412 | 77,918 |
| Distribution and selling expenses | | (435,887) | (338,540) |
| Administrative expenses | | (519,793) | (445,456) |
| Other operating expenses | | (2,333) | (689) |
| Other (losses)/gains | | | |
| Fair value gain on investment properties | 14 | – | 30,028 |
| Gain on disposal of subsidiaries | 35 | 2,874 | – |
| Loss on redemption of convertible bonds | 26 | (5,962) | – |
| **Operating profit** | | 1,743,930 | 2,687,149 |
| Finance costs | 9 | (27,259) | (22,314) |
| Share of results of joint ventures | | 4,062 | 3,639 |
| **Profit before income tax** | 8 | 1,720,733 | 2,668,474 |
| Income tax expense | 10 | (798,894) | (1,222,494) |
| **Profit for the year** | | 921,839 | 1,445,980 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 851,196 | 1,267,402 |
| Non-controlling interests | | 70,643 | 178,578 |
| | | 921,839 | 1,445,980 |

| | | HK Cents | HK Cents |
|---|---|---|---|
| **Earnings per share** | 12 | | |
| Basic | | 37.3 | 55.5 |
| Diluted | | 36.5 | 50.6 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Profit for the year** | | **921,839** | 1,445,980 |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences arising from translation of overseas operations | | | |
| — subsidiaries | | **(1,627,623)** | (45,891) |
| — joint ventures | | **(6,174)** | (319) |
| Release of translation reserve upon disposal of subsidiaries | 35 | **(2,836)** | – |
| **Other comprehensive income for the year, net of tax** | | **(1,636,633)** | (46,210) |
| **Total comprehensive income for the year** | | **(714,794)** | 1,399,770 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **(746,038)** | 1,225,822 |
| Non-controlling interests | | **31,244** | 173,948 |
| | | **(714,794)** | 1,399,770 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 14 | 2,855,569 | 3,032,606 |
| Property, plant and equipment | 15 | 34,181 | 48,055 |
| Prepaid lease rental on land | 16 | 4,730 | 5,203 |
| Intangible assets | 17 | 17,354 | 23,345 |
| Interests in joint ventures | 18 | 100,784 | 103,672 |
| Deferred tax assets | 28 | 147,479 | 205,781 |
| | | 3,160,097 | 3,418,662 |
| **Current assets** | | | |
| Inventories of properties | 19 | 34,475,481 | 34,010,630 |
| Other inventories | 20 | – | 620 |
| Trade and other receivables, prepayments and deposits | 21 | 4,403,865 | 6,142,568 |
| Prepaid lease rental on land | 16 | 168 | 179 |
| Amounts due from non-controlling interests | 22 | 140,781 | 82,631 |
| Tax prepaid | | 589,609 | 243,208 |
| Restricted cash and deposits | 23 | 3,323,705 | 2,584,487 |
| Cash and bank balances | 23 | 9,702,914 | 8,825,281 |
| | | 52,636,523 | 51,889,604 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 8,341,624 | 8,710,603 |
| Sales deposits received | | 13,933,973 | 8,978,024 |
| Amounts due to non-controlling interests | 22 | 770,711 | 1,027,229 |
| Convertible bonds — liability component | 26 | – | 1,820,403 |
| Taxation liabilities | | 946,143 | 1,697,766 |
| Borrowings | 25 | 4,918,627 | 4,132,040 |
| | | 28,911,078 | 26,366,065 |
| **Net current assets** | | 23,725,445 | 25,523,539 |
| **Total assets less current liabilities** | | 26,885,542 | 28,942,201 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 31 DECEMBER 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 25 | 10,633,642 | 11,465,350 |
| Guaranteed notes payable | 27 | 3,138,399 | 3,128,825 |
| Deferred tax liabilities | 28 | 1,303,664 | 1,375,657 |
| | | 15,075,705 | 15,969,832 |
| **Net assets** | | 11,809,837 | 12,972,369 |
| **Capital and reserves** | | | |
| Share capital | 29 | 2,144,018 | 2,144,018 |
| Other reserves | 30 | 74,719 | 2,138,643 |
| Retained profits | 30 | 8,954,014 | 7,995,772 |
| Proposed dividend | 11 | – | 22,822 |
| Equity attributable to owners of the Company | | 11,172,751 | 12,301,255 |
| Non-controlling interests | 31 | 637,086 | 671,114 |
| **Total equity** | | 11,809,837 | 12,972,369 |

On behalf of the Directors

**Zhang Guiqing**
*Director*

**Wang Man Kwan, Paul**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium* HK$'000 | Capital redemption reserve* HK$'000 | Convertible bonds equity reserve* HK$'000 | Translation reserve* HK$'000 | Assets revaluation reserve* HK$'000 | Statutory reserve* HK$'000 | Other reserve* HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non–controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2014 | 22,822 | 1,906,373 | 44,822 | 581,196 | 864,318 | 31,749 | 566,996 | 154,345 | 7,132,203 | 11,304,824 | 966,840 | 12,271,664 |
| Net profit for the year | – | – | – | – | – | – | – | – | 1,267,402 | 1,267,402 | 178,578 | 1,445,980 |
| Exchange differences arising from translation of overseas operations | | | | | | | | | | | | |
| - subsidiaries | – | – | – | – | (41,261) | – | – | – | – | (41,261) | (4,630) | (45,891) |
| - joint ventures | – | – | – | – | (319) | – | – | – | – | (319) | – | (319) |
| **Total comprehensive income for the year** | – | – | – | – | (41,580) | – | – | – | 1,267,402 | 1,225,822 | 173,948 | 1,399,770 |
| Transfer to PRC statutory reserve | – | – | – | – | – | – | 135,964 | – | (135,964) | – | – | – |
| Transfer upon abolition of nominal value of shares on 3 March 2014 (notes 29 and 30) | 2,121,196 | (1,906,373) | (44,822) | – | – | – | – | (154,345) | (15,656) | – | – | – |
| 2013 final dividend paid (note 11(b)) | – | – | – | – | – | – | – | – | (136,934) | (136,934) | – | (136,934) |
| 2014 interim dividend declared (note 11(a)) | – | – | – | – | – | – | – | – | (91,290) | (91,290) | – | (91,290) |
| Dividends paid to non-controlling interests (note 22) | – | – | – | – | – | – | – | – | – | – | (298,221) | (298,221) |
| Acquisition of non-controlling interests in subsidiaries (note 34) | – | – | – | – | – | – | – | – | (1,167) | (1,167) | (171,453) | (172,620) |
| **Transactions with owners** | – | – | – | – | – | – | – | – | (229,391) | (229,391) | (469,674) | (699,065) |
| **At 31 December 2014 and 1 January 2015** | **2,144,018** | **–** | **–** | **581,196** | **822,738** | **31,749** | **702,960** | **–** | **8,018,594** | **12,301,255** | **671,114** | **12,972,369** |
| Net profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **851,196** | **851,196** | **70,643** | **921,839** |
| Exchange differences arising from translation of overseas operations | | | | | | | | | | | | |
| - subsidiaries | **–** | **–** | **–** | **–** | **(1,588,224)** | **–** | **–** | **–** | **–** | **(1,588,224)** | **(39,399)** | **(1,627,623)** |
| - joint ventures | **–** | **–** | **–** | **–** | **(6,174)** | **–** | **–** | **–** | **–** | **(6,174)** | **–** | **(6,174)** |
| Release of translation reserve upon disposal of subsidiaries (note 35) | **–** | **–** | **–** | **–** | **(2,836)** | **–** | **–** | **–** | **–** | **(2,836)** | **–** | **(2,836)** |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **–** | **(1,597,234)** | **–** | **–** | **–** | **851,196** | **(746,038)** | **31,244** | **(714,794)** |
| Transfer to PRC statutory reserve | **–** | **–** | **–** | **–** | **–** | **–** | **114,506** | **–** | **(114,506)** | **–** | **–** | **–** |
| 2014 final dividend paid (note 11(b)) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(22,822)** | **(22,822)** | **–** | **(22,822)** |
| Dividends attributable to non-controlling interests (note 22) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(65,272)** | **(65,272)** |
| Redemption of convertible bonds (note 26) | **–** | **–** | **–** | **(581,196)** | **–** | **–** | **–** | **–** | **221,552** | **(359,644)** | **–** | **(359,644)** |
| **Transactions with owners** | **–** | **–** | **–** | **(581,196)** | **–** | **–** | **–** | **–** | **198,730** | **(382,466)** | **(65,272)** | **(447,738)** |
| **At 31 December 2015** | **2,144,018** | **–** | **–** | **–** | **(774,496)** | **31,749** | **817,466** | **–** | **8,954,014** | **11,172,751** | **637,086** | **11,809,837** |

* The total of these equity accounts at the end of the reporting period represents "Other reserves" in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 1,720,733 | 2,668,474 |
| Adjustments for: | | | |
| Share of results of joint ventures | | (4,062) | (3,639) |
| Gain on disposal of subsidiaries | | (2,874) | – |
| Fair value gain on investment properties | | – | (30,028) |
| Depreciation and amortization | | 17,946 | 17,005 |
| Write-off of property, plant and equipment | | 958 | 7 |
| Interest income | | (92,005) | (65,943) |
| Finance costs | | 27,259 | 22,314 |
| Loss on redemption of convertible bonds | | 5,962 | – |
| Exchange difference | | (31,971) | (3,557) |
| Operating cash flows before movements in working capital | | 1,641,946 | 2,604,633 |
| Increase in inventories of properties | | (1,631,669) | (9,866,627) |
| Decrease in other inventories | | 509 | 182 |
| Decrease in trade and other receivables, prepayments and deposits | | 1,376,523 | 871,085 |
| Increase in amounts due from non-controlling interests | | (119,740) | (42,275) |
| Increase in restricted cash and deposits | | (929,953) | (514,985) |
| Increase in trade and other payables | | 177,792 | 3,215,534 |
| Increase in sales deposits received | | 5,711,002 | 2,518,998 |
| **Cash generated from/(used in) operations** | | 6,226,410 | (1,213,455) |
| Income taxes paid | | (1,799,579) | (1,572,946) |
| **Net cash from/(used in) operating activities** | | 4,426,831 | (2,786,401) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (2,553) | (10,852) |
| Proceeds from disposal of subsidiaries | 35 | 33,626 | – |
| Interest received | | 92,005 | 65,943 |
| (Increase)/Decrease in short-term time deposits with maturity beyond three months but within one year | | (417) | 87,324 |
| **Net cash from investing activities** | | 122,661 | 142,415 |

# CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| New bank borrowings | 25 | **6,311,060** | 5,088,746 |
| Repayment of bank borrowings | 25 | **(6,122,336)** | (2,423,134) |
| Issue of guaranteed notes | 27 | **–** | 3,049,165 |
| Redemption of convertible bonds | 26 | **(2,200,000)** | – |
| Dividends paid | | **(22,822)** | (228,224) |
| Dividends paid to non-controlling interests | 22 | **(11,202)** | (298,221) |
| Finance costs paid | | **(873,948)** | (816,762) |
| Acquisition of non-controlling interests in subsidiaries | 34 | **(156,832)** | (13,645) |
| (Decrease)/Increase in amounts due to non-controlling interests | | **(48,133)** | 21,218 |
| **Net cash (used in)/generated from financing activities** | | **(3,124,213)** | 4,379,143 |
| **Net increase in cash and cash equivalents** | | **1,425,279** | 1,735,157 |
| **Cash and cash equivalents at 1 January** | | **8,811,605** | 7,093,362 |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | | **(547,247)** | (16,914) |
| **Cash and cash equivalents at 31 December** | | **9,689,637** | 8,811,605 |
| **Analysis of balances of cash and cash equivalents:** | | | |
| Cash and bank balances as stated in the consolidated statement of financial position | | **9,702,914** | 8,825,281 |
| Less: Short-term time deposits with maturity beyond three months but within one year | 23(c) | **(13,277)** | (13,676) |
| **Cash and cash equivalents at 31 December** | | **9,689,637** | 8,811,605 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

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

The financial statements on pages 63 to 141 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to "HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2015 were approved for issue by the directors on 17 March 2016.

## 2. ADOPTION OF NEW OR REVISED HKFRSs

### 2.1 Adoption of new or revised HKFRSs — effective 1 January 2015

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015:

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements 2010–2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements 2011–2013 Cycle |

*Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle*

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

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

## 2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective date to be determined

*Amendments to HKAS 1 Disclosure Initiative*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

*Amendments to HKAS 27 Equity Method in Separate Financial Statements*

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

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

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

*Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

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

## 2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

*HKFRS 9 (2014) Financial Instruments*

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

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

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

*HKFRS 15 Revenue from Contracts with Customers*

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

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

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

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

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

## 2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of preparation

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

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

### 3.2 Business combination and basis of consolidation

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Business combination and basis of consolidation (Continued)

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

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

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

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

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

### 3.3 Subsidiaries

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

— power over the investee;

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

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

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

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

— the structure of the joint arrangement;

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

— the contractual terms of the joint arrangement agreement; and

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

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Goodwill

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

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

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

### 3.6 Bargain purchases in business combinations

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

### 3.7 Investment properties

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 Property, plant and equipment

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

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

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

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

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

### 3.9 Intangible assets (Other than goodwill)

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

*Shopping mall operating right*

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

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Operating leases

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

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

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

### 3.11 Impairment of non-financial assets

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

An impairment loss is recognized as an expense immediately unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of non-financial assets (Continued)

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

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

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

### 3.12 Investments and other financial assets

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

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

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

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

*Loans and receivables*

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

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment of financial assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

### 3.14 Inventories of properties

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Other inventories

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

### 3.16 Foreign currencies

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

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

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

### 3.17 Cash and cash equivalents

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

### 3.18 Income tax

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.18 Income tax (Continued)

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

### 3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.20 Financial liabilities

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

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

*Financial liabilities at amortized cost*

Borrowings, including liability component of convertible bonds (note 3.21) and guaranteed notes payable (note 27) and trade and other payables including amounts due to related parties are financial liabilities at amortized cost which are recognized initially at fair value, net of directly attributable costs incurred and subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

### 3.21 Convertible bonds

The convertible bonds of HK$2,200 million issued by the Group on 21 March 2012 (note 26) that can be converted to equity share capital at the option of the bondholders, where the number of shares that would be issued on conversion and the value of consideration would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

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

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

If the convertible bonds are converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital as consideration for the shares issued.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Convertible bonds (Continued)

If the convertible bonds are redeemed, the Group shall allocate the redemption consideration and any transaction costs incurred for the redemption to the liability and equity components of the convertible bonds at the redemption date using a basis consistent with that used in the original allocation of the proceeds received by the Group to both components when the convertible bonds were issued. The equity and liability components shall be derecognized and any difference between the consideration allocated to the liability component and its carrying amount at the redemption date is recognized in profit or loss, whereas any difference between the consideration allocated to the equity component and its carrying amount is recognized in retained profits.

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

### 3.22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortisation recognized in accordance with HKAS 18 *Revenue*.

### 3.23 Employee benefits

*Short term employee benefits*

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

*Defined contribution retirement plan*

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.24 Share-based payment transactions

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

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

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

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

### 3.25 Provisions and contingent liabilities

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

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

### 3.26 Equity instruments

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.27 Dividends

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

### 3.28 Recognition of revenue and other income

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

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

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

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

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

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

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

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

(ii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

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

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

### 3.29 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.29 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

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

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

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

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

### 3.30 Segment reporting

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### 4.1 Key sources of estimation uncertainty

Key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

*Fair value of investment properties*

As disclosed in note 14, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the estimates, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Please refer to note 14 for more detailed information in relation to fair value measurement of investment properties.

*Allowance for loans and receivables*

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

*Net realisable value of inventories of properties*

Include in the consolidated statement of financial position at 31 December 2015 is inventories of properties with an aggregate carrying amount of approximately HK$34,475,481,000 (2014: HK$34,010,630,000), which have to be stated at lower of cost and net realisable value. Management determines the net realisable value of the underlying properties which involves, inter-alia, considerable estimation based on analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales taking into account economic factors and new government measures. If the actual net realisable values of the underlying properties are more or less than the previous estimations as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of allowance or allowance for inventories of properties may result.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 4.1 Key sources of estimation uncertainty (Continued)

*Estimates of current tax and deferred tax*

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

### 4.2 Critical judgements in applying accounting policies

*Revenue recognition*

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

*Distinction between investment properties and owner-occupied properties*

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

*Joint arrangement*

As at 31 December 2015, the Group holds certain percentage of the registered capital/paid up capital and voting rights of certain joint arrangements. The contractual arrangements confer joint control over the relevant activities of the joint arrangements to the Group and at least one other party. In addition, the joint arrangements are structured as limited companies and provide the Group and the parties to the arrangements with rights to the net assets of the limited companies under the arrangements. Therefore, based on the judgement of the management, these arrangements are classified as joint ventures. Further details of its joint arrangements are set out in note 18.

## 5. REVENUE

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Sales of properties | **16,354,663** | 13,660,341 |
| Property rental income | **209,362** | 193,345 |
| Property management fee income | **49,862** | 127,642 |
| Total revenue | **16,613,887** | 13,981,328 |

## 6. SEGMENT INFORMATION

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

Property investment and development – This segment constructs residential and commercial properties in the PRC.

Property leasing – This segment holds commercial units located in the PRC for leasing to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a joint venture.

Other segment – This segment provides management services to certain housing estates in the PRC and generates management fee income. During the year ended 31 December 2015, the Company disposed of its entire equity interest in those companies principally engaged in the provision of property management services. Further details of the disposal are set out in note 35.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between different operating segments during the year or in prior year. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's joint ventures. Reportable segment profit/loss excludes corporate income and expenses (including finance costs) from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

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

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

## 6. SEGMENT INFORMATION (CONTINUED)

### Segment results, segment assets and segment liabilities

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

| | Property investment and development HK$'000 | Property leasing HK$'000 | Other segment HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | |
| Reportable segment revenue | 16,354,663 | 209,362 | 49,862 | 16,613,887 |
| Reportable segment profit | 1,658,827 | 149,907 | 14,146 | 1,822,880 |
| Corporate income | | | | 2,625 |
| Finance costs | | | | (27,259) |
| Other corporate expenses | | | | (77,513) |
| Profit before income tax | | | | 1,720,733 |
| **As at 31 December 2015** | | | | |
| Reportable segment assets | 51,382,040 | 3,083,657 | – | 54,465,697 |
| Tax assets | | | | 737,088 |
| Corporate assets ^ | | | | 593,835 |
| Total consolidated assets | | | | 55,796,620 |
| **As at 31 December 2015** | | | | |
| Reportable segment liabilities | 22,887,156 | 102,027 | – | 22,989,183 |
| Tax liabilities | | | | 2,249,807 |
| Borrowings | | | | 15,552,269 |
| Guaranteed notes payable | | | | 3,138,399 |
| Corporate liabilities | | | | 57,125 |
| Total consolidated liabilities | | | | 43,986,783 |

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 6. SEGMENT INFORMATION (CONTINUED)

### Segment results, segment assets and segment liabilities (Continued)

| | Property investment and development HK$'000 | Property leasing HK$'000 | Other segment HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2014** | | | | |
| Reportable segment revenue | 13,660,341 | 193,345 | 127,642 | 13,981,328 |
| Reportable segment profit/(loss) | 2,565,298 | 187,181 | (9,445) | 2,743,034 |
| Corporate income | | | | 3,846 |
| Finance costs | | | | (22,314) |
| Other corporate expenses | | | | (56,092) |
| Profit before income tax | | | | 2,668,474 |
| **As at 31 December 2014** | | | | |
| Reportable segment assets | 51,228,784 | 3,278,762 | 105,525 | 54,613,071 |
| Tax assets | | | | 448,989 |
| Corporate assets ^ | | | | 246,206 |
| Total consolidated assets | | | | 55,308,266 |
| **As at 31 December 2014** | | | | |
| Reportable segment liabilities | 18,411,656 | 109,584 | 119,490 | 18,640,730 |
| Tax liabilities | | | | 3,073,423 |
| Borrowings | | | | 15,597,390 |
| Convertible bonds — liability component | | | | 1,820,403 |
| Guaranteed notes payable | | | | 3,128,825 |
| Corporate liabilities | | | | 75,126 |
| Total consolidated liabilities | | | | 42,335,897 |

^ Corporate assets as at 31 December 2015 included cash and bank balances amounting to HK$482,706,000 (2014: HK$241,079,000) which were managed on group basis.

Certain comparative figures in the segment information for the year ended 31 December 2014 have been reclassified. Previously, finance costs were included in corporate expenses for segment reporting purposes. For the year ended 31 December 2015, finance costs are reclassified and presented separately in the reconciliation of reportable segment results to profit before income tax for better presentation.

## 6. SEGMENT INFORMATION (CONTINUED)

### Segment results, segment assets and segment liabilities (Continued)

| | Property investment and development HK$'000 | Property leasing HK$'000 | Other segment HK$'000 | Corporate HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| **Other information** | | | | | |
| **For the year ended 31 December 2015** | | | | | |
| Interest income | **88,507** | **926** | **68** | **2,504** | **92,005** |
| Depreciation and amortization | **9,297** | **7,080** | **176** | **1,393** | **17,946** |
| Gain on disposal of subsidiaries | **–** | **–** | **2,874** | **–** | **2,874** |
| Loss on redemption of convertible bonds | **–** | **–** | **–** | **5,962** | **5,962** |
| Share of results of joint ventures | **–** | **4,062** | **–** | **–** | **4,062** |
| Write-off of property, plant and equipment | **82** | **–** | **876** | **–** | **958** |
| Additions to specified non-current assets# | **1,401** | **1,091** | **61** | **–** | **2,553** |
| **As at 31 December 2015** | | | | | |
| Interests in joint ventures | **–** | **100,784** | **–** | **–** | **100,784** |
| **For the year ended 31 December 2014** | | | | | |
| Interest income | 60,438 | 1,066 | 593 | 3,846 | 65,943 |
| Depreciation and amortization | 9,000 | 6,096 | 639 | 1,270 | 17,005 |
| Fair value gain on investment properties | – | 30,028 | – | – | 30,028 |
| Share of results of joint ventures | – | 3,639 | – | – | 3,639 |
| Write-off of property, plant and equipment | 7 | – | – | – | 7 |
| Additions to specified non-current assets# | 7,971 | – | 1,001 | 2,655 | 11,627 |
| **As at 31 December 2014** | | | | | |
| Interests in joint ventures | – | 102,897 | – | 775 | 103,672 |

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

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 6. SEGMENT INFORMATION (CONTINUED)

### Geographical information

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

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

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Hong Kong | **2,942** | 5,111 |
| Other regions of the PRC | **3,009,676** | 3,207,770 |
| | **3,012,618** | 3,212,881 |

### Information about major customer

None of the customers individually contributed 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014.

## 7. OTHER INCOME

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Interest income on: | | |
| Bank deposits | **91,976** | 65,788 |
| Others | **29** | 155 |
| Total interest income on financial assets not at fair value through profit or loss | **92,005** | 65,943 |
| Sundry income | **13,407** | 11,975 |
| | **105,412** | 77,918 |

## 8. PROFIT BEFORE INCOME TAX

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Profit before income tax is arrived at after charging/(crediting): | | |
| Amortization: | | |
| Prepaid lease rental on land | 176 | 178 |
| Intangible assets# | 4,826 | 4,892 |
| Depreciation of property, plant and equipment | 12,944 | 11,935 |
| Total amortization and depreciation | 17,946 | 17,005 |
| Remuneration to auditor for audit services*: | | |
| — Current year | 1,850 | 1,850 |
| Cost of sales and services provided comprise: | | |
| — Amount of inventories recognized as expense | 13,957,189 | 10,474,768 |
| Net foreign exchange loss/(gain) | 9,452 | (18,042) |
| Operating lease charge on land and buildings | 16,873 | 17,398 |
| Outgoings in respect of: | | |
| — investment properties | 23,266 | 27,707 |
| — others | 958 | 1,005 |
| | 24,224 | 28,712 |
| Net rental income from: | | |
| — investment properties | (170,695) | (152,709) |
| — others | (14,443) | (11,924) |
| | (185,138) | (164,633) |
| Staff costs (note) | 360,111 | 373,667 |
| Write-off of property, plant and equipment | 958 | 7 |
| Business tax and other levies | 1,045,141 | 859,196 |

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

* fees for non-audit services rendered by the auditor amounted to HK$40,000 (2014: HK$40,000)

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 8. PROFIT BEFORE INCOME TAX (CONTINUED)

Note:

Staff costs (including directors' emoluments) comprise:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | 346,111 | 364,230 |
| Contributions to defined contribution retirement plans (note 36) | 14,000 | 9,437 |
| | 360,111 | 373,667 |

## 9. FINANCE COSTS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Interest on bank borrowings, overdrafts and other loans | 694,730 | 669,556 |
| Imputed interest expense on convertible bonds (note 26) | 35,991 | 160,483 |
| Imputed interest expense on guaranteed notes payable (note 27) | 168,449 | 159,098 |
| Total interest expense on financial liabilities not at fair value through profit or loss | 899,170 | 989,137 |
| Less: Amount capitalized (note) | (871,911) | (966,823) |
| | 27,259 | 22,314 |

Note: Borrowing costs capitalized during the year arose from the general borrowing pool and are calculated by applying an average capitalization rate of 4.40% (2014: 4.74%) per annum to expenditure on qualifying assets.

## 10. INCOME TAX EXPENSE

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Current tax for the year | | |
| Hong Kong profits tax | – | – |
| Other regions of the PRC | | |
| — Enterprise income tax ("EIT") | 432,009 | 699,106 |
| — LAT | 308,506 | 418,739 |
| | 740,515 | 1,117,845 |
| (Over)/Under provision in prior years | | |
| Other regions of the PRC | (1,552) | 12,391 |
| Deferred tax (note 28) | 59,931 | 92,258 |
| | 798,894 | 1,222,494 |

## 10. INCOME TAX EXPENSE (CONTINUED)

For the year ended 31 December 2015, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profit in Hong Kong for the year (2014: nil).

EIT arising from other regions of the PRC is calculated at 25% (2014: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (2014: 30% to 50%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Profit before income tax | **1,720,733** | 2,668,474 |
| Tax on profit at the rates applicable to profits in the jurisdictions concerned | **484,154** | 710,756 |
| Expenses not deductible for tax purpose | **87,838** | 108,901 |
| Income not taxable for tax purpose | **(396)** | (8,089) |
| Share of results of joint ventures | **(1,016)** | (910) |
| LAT deductible for calculation of income tax | **(79,395)** | (104,685) |
| Utilization of tax losses previously not recognized | **(2,358)** | (7,066) |
| Tax losses not recognized | **104** | 11,019 |
| (Over)/Under provision in prior years | **(1,552)** | 12,391 |
| Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiaries | **12,767** | 123,800 |
| Others | **(6,812)** | 4,572 |
| | **493,334** | 850,689 |
| LAT | **305,560** | 371,805 |
| Income tax expense | **798,894** | 1,222,494 |

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 11. DIVIDENDS

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Interim dividend — nil (2014: HK$0.04 per ordinary share) | – | 91,290 |
| Proposed final dividend — nil (2014: HK$0.01 per ordinary share) (note) | – | 22,822 |
| | – | 114,112 |

Note:

The directors did not recommend the payment of a final dividend for the current financial year. In respect of last financial year, final dividend of HK$0.01 per ordinary share had been proposed by the directors and was approved by the shareholders of the Company in the annual general meeting on 2 June 2015.

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Final dividend in respect of previous financial year, approved and paid during the year of HK$0.01 (2014: HK$0.06) per ordinary share | 22,822 | 136,934 |

## 12. EARNINGS PER SHARE

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

| Earnings | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Earnings used in calculating basic earnings per share | 851,196 | 1,267,402 |
| Adjustment to the profit of the Group attributable to imputed interest on convertible bonds | 3,625 | 20,164 |
| Earnings used in calculating diluted earnings per share | 854,821 | 1,287,566 |

| Weighted average number of ordinary shares | 2015<br>'000 | 2014<br>'000 |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 2,282,240 | 2,282,240 |
| Effect of dilutive potential ordinary shares | | |
| — issuance of shares for conversion of convertible bonds (note 26) | 57,720 | 263,347 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 2,339,960 | 2,545,587 |

## 13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance, Cap. 622, and the Companies (Disclosure of Information about Benefits of Directors) Regulation, Cap. 622G, are as follows:

### Directors' emoluments

| | Fees HK$'000 | Salaries, allowances and other benefits HK$'000 | Discretionary bonus HK$'000 | Retirement fund contribution HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | | |
| *Executive directors* | | | | | |
| Mr. Zhang Guiqing | – | 1,056 | 4,900 | 19 | 5,975 |
| Mr. Xiang Hong | – | 780 | 4,500 | 19 | 5,299 |
| Mr. Wang Man Kwan, Paul | – | 2,665 | 1,800 | 18 | 4,483 |
| Mr. Liu Jun (note (a)) | – | 55 | 2,350 | 2 | 2,407 |
| Mr. Yang Hai Song (note (b)) | 578 | – | – | – | 578 |
| *Non-executive directors* | | | | | |
| Mr. Hao Jian Min | 1,200 | – | – | – | 1,200 |
| Mr. Yung Kwok Kee, Billy | 100 | – | – | – | 100 |
| *Independent non-executive directors* | | | | | |
| Dr. Chung Shui Ming, Timpson | 250 | 110 | – | – | 360 |
| Mr. Lam Kin Fung, Jeffrey | 250 | 110 | – | – | 360 |
| Mr. Lo Yiu Ching, Dantes | 250 | – | – | – | 250 |
| | 2,628 | 4,776 | 13,550 | 58 | 21,012 |
| **For the year ended 31 December 2014** | | | | | |
| *Executive directors* | | | | | |
| Mr. Chen Bin (note (c)) | – | 1,835 | 4,800 | 19 | 6,654 |
| Mr. Zhang Guiqing (note (d)) | – | 43 | – | – | 43 |
| Mr. Xiang Hong | – | 780 | 3,900 | 19 | 4,699 |
| Mr. Wang Man Kwan, Paul | – | 2,534 | 1,650 | 17 | 4,201 |
| Mr. Yang Hai Song | 630 | – | – | – | 630 |
| *Non-executive directors* | | | | | |
| Mr. Hao Jian Min | 1,200 | – | – | – | 1,200 |
| Mr. Yung Kwok Kee, Billy | 100 | – | – | – | 100 |
| *Independent non-executive directors* | | | | | |
| Dr. Chung Shui Ming, Timpson | 250 | 110 | – | – | 360 |
| Mr. Lam Kin Fung, Jeffrey | 250 | 110 | – | – | 360 |
| Mr. Lo Yiu Ching, Dantes | 250 | – | – | – | 250 |
| | 2,680 | 5,412 | 10,350 | 55 | 18,497 |

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### Directors' emoluments (Continued)

Notes:

(a) Mr. Liu Jun was appointed as executive director with effect from 1 December 2015.

(b) Mr. Yang Hai Song resigned as executive director with effect from 1 December 2015.

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

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

There is no arrangement under which a director waived or agreed to waive any emoluments during the year (2014: nil).

### Five highest paid individuals

The five individuals with the highest emoluments in the Group include three (2014: three) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2014: two) highest paid individuals for the years ended 31 December 2015 and 2014 were as follows:

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **1,004** | 1,094 |
| Discretionary bonus | **6,800** | 6,400 |
| Retirement fund contributions | **29** | 38 |
| | **7,833** | 7,532 |

Their emoluments were within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2015** | 2014 |
| HK$3,000,001–HK$3,500,000 | **–** | 1 |
| HK$3,500,001–HK$4,000,000 | **2** | – |
| HK$4,000,001–HK$4,500,000 | **–** | 1 |

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: nil).

### Senior management's emoluments

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

| | **Number of individuals** | |
|---|---|---|
| | **2015** | 2014 |
| HK$3,000,001–HK$3,500,000 | **1** | 1 |
| HK$3,500,001–HK$4,000,000 | **2** | – |
| HK$4,000,001–HK$4,500,000 | **–** | 1 |

## 14. INVESTMENT PROPERTIES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Fair value** | | |
| At 1 January | **3,032,606** | 3,012,622 |
| Translation adjustment | **(177,037)** | (10,044) |
| Increase in fair value | **–** | 30,028 |
| **At 31 December** | **2,855,569** | 3,032,606 |

Notes:

(a) The fair value of the investment properties as at 31 December 2015 and 2014 is a level 3 recurring fair value measurement, which uses significant unobservable inputs (i.e. inputs not derived from market data).

No fair value gain or loss arose from remeasurement of the investment properties for the year ended 31 December 2015. The fair value gain arising from remeasurement of the investment properties for the year ended 31 December 2014 amounting to HK$30,028,000 represented unrealized gains relating to those investment properties held by the Group at the end of reporting period.

(b) The fair values of the Group's investment properties as at 31 December 2015 and 2014 have been determined with reference to the valuation carried out on those dates by Crowe Horwath (HK) Consulting & Valuation Limited, which is an independent firm of professionally qualified valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby location.

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

| Properties | Location | Valuation technique | Unobservable inputs | Range of unobservable inputs # | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| China Overseas International Center* | Beijing | Direct comparison approach:<br>— For office units, shops and car parks | Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design | Office units and shops: RMB39,193 to RMB54,039 per square meter ("sq.m.") (2014: RMB39,153 to RMB54,872 per sq.m.)<br><br>Car parks: RMB250,000 per unit (2014: RMB250,000 per unit) | The higher the selling price per unit, the higher the fair value |
| | | Income approach: Term and reversionary approach<br>— For office units and shops | Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received | 6.3% to 7.3% (2014: 6.5% to 7.3%) | The higher the term yield, the lower the fair value |
| | | | Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties | 6.8% to 7.8% (2014: 7.0% to 7.8%) | The higher the reversionary yield, the lower the fair value |
| | | | Monthly rent, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design | RMB245 to RMB373 per sq. m. (2014: RMB350 to RMB360 per sq. m.) | The higher the monthly rent, the higher the fair value |
| | | | Vacancy rate, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design | 5.0% to 25.0% (2014: 5.0% to 25.0%) | The higher the vacancy rate, the lower the fair value |

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 14. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(b) (Continued)

| Properties | Location | Valuation technique | Unobservable inputs | Range of unobservable inputs # | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| China Overseas Building No. 9 Office Building * | Jilin | Direct comparison approach: — For office units, shops and car parks | Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design | Office units and shops: RMB6,380 to RMB8,610 per sq.m. (2014: RMB6,689 to RMB8,218 per sq.m.)<br><br>Car parks: RMB70,677 per unit (2014: RMB70,677 per unit) | The higher the selling price, the higher the fair value |
| | | Income approach: Term and reversionary approach — For office units and shops | Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received | 9.5% to 11.0% (2014: 9.5% to 11.0%) | The higher the term yield, the lower the fair value |
| | | | Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties | 10.0% to 11.5% (2014: 10.0% to 11.5%) | The higher the reversionary yield, the lower the fair value |
| | | | Monthly rent, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design | RMB61 to RMB86 per sq.m. (2014: RMB60 to RMB84 per sq.m.) | The higher the monthly rent, the higher the fair value |
| | | | Vacancy rate, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design | 10.0% to 20.0% (2014: 10.0% to 20.0%) | The higher the vacancy rate, the lower the fair value |

* comprise office units, shops and car parks

\# apply to office units and shops unless otherwise specified

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

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

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

(c) The investment properties are leased to third parties and related companies under operating leases to earn rental income, further details of which are included in note 38.

(d) As at 31 December 2015, none of the Group's investment properties were pledged as securities for the bank borrowings and banking facilities of the Group. As at 31 December 2014, certain investment properties of the Group with carrying value of HK$2,708,861,000 were pledged as securities for the bank borrowings and banking facilities of the Group (note 37).

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 January 2014 | 27,041 | 4,084 | 15,747 | 21,581 | 68,453 |
| Translation adjustment | (82) | – | (40) | (76) | (198) |
| Additions | – | – | 5,516 | 5,336 | 10,852 |
| Write-off | – | – | (618) | (307) | (925) |
| At 31 December 2014 and 1 January 2015 | **26,959** | **4,084** | **20,605** | **26,534** | **78,182** |
| Translation adjustment | **(1,403)** | **–** | **(1,424)** | **(1,803)** | **(4,630)** |
| Additions | **–** | **–** | **1,340** | **1,213** | **2,553** |
| Disposal of subsidiaries (note 35) | **–** | **–** | **(1,008)** | **(430)** | **(1,438)** |
| Write-off | **–** | **–** | **(3,820)** | **(1,773)** | **(5,593)** |
| **At 31 December 2015** | **25,556** | **4,084** | **15,693** | **23,741** | **69,074** |
| **DEPRECIATION** | | | | | |
| At 1 January 2014 | 3,826 | 806 | 6,805 | 7,720 | 19,157 |
| Translation adjustment | (10) | – | (15) | (22) | (47) |
| Depreciation provided | 956 | 817 | 4,387 | 5,775 | 11,935 |
| Write-off | – | – | (611) | (307) | (918) |
| At 31 December 2014 and 1 January 2015 | **4,772** | **1,623** | **10,566** | **13,166** | **30,127** |
| Translation adjustment | **(302)** | **–** | **(985)** | **(1,344)** | **(2,631)** |
| Depreciation provided | **939** | **817** | **4,369** | **6,819** | **12,944** |
| Disposal of subsidiaries (note 35) | **–** | **–** | **(626)** | **(286)** | **(912)** |
| Write-off | **–** | **–** | **(2,975)** | **(1,660)** | **(4,635)** |
| **At 31 December 2015** | **5,409** | **2,440** | **10,349** | **16,695** | **34,893** |
| **NET CARRYING AMOUNT** | | | | | |
| **At 31 December 2015** | **20,147** | **1,644** | **5,344** | **7,046** | **34,181** |
| At 31 December 2014 | 22,187 | 2,461 | 10,039 | 13,368 | 48,055 |

As at 31 December 2015, none of the Group's owner-occupied properties were pledged as securities for the bank borrowings and banking facilities of the Group. As at 31 December 2014, owned-occupied properties (including prepaid rental on land) with net carrying amount of HK$10,374,000 were pledged as securities for the bank borrowings and banking facilities of the Group (note 37).

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 16. PREPAID LEASE RENTAL ON LAND

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Carrying amount at 1 January | 5,382 | 5,579 |
| Translation adjustment | (308) | (19) |
| Amortization charged | (176) | (178) |
| **Carrying amount at 31 December** | 4,898 | 5,382 |
| Analyzed into: | | |
| Non-current portion included in non-current assets | 4,730 | 5,203 |
| Current portion included in current assets | 168 | 179 |
| | 4,898 | 5,382 |

## 17. INTANGIBLE ASSETS

| | Shopping mall operating right<br>HK$'000 |
|---|---|
| **COST** | |
| At 1 January 2014 | 76,963 |
| Translation adjustment | (298) |
| At 31 December 2014 and 1 January 2015 | 76,665 |
| Translation adjustment | (5,137) |
| **At 31 December 2015** | 71,528 |
| **AMORTIZATION AND IMPAIRMENT** | |
| At 1 January 2014 | 48,607 |
| Translation adjustment | (179) |
| Amortization charged | 4,892 |
| At 31 December 2014 and 1 January 2015 | 53,320 |
| Translation adjustment | (3,972) |
| Amortization charged | 4,826 |
| **At 31 December 2015** | 54,174 |
| **NET CARRYING AMOUNT** | |
| **At 31 December 2015** | 17,354 |
| At 31 December 2014 | 23,345 |

## 18. INTERESTS IN JOINT VENTURES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Share of net assets | 100,784 | 103,672 |
| Less: Impairment | – | – |
| | 100,784 | 103,672 |

As at 31 December 2015 and 2014, the Group has 65% interest in 上海金鶴數碼科技發展有限公司 ("Shanghai Jinhe"), a separate structured vehicle incorporated in the PRC which is principally engaged in property investment and property leasing in Shanghai. The Group has joint control over this arrangement as unanimous consent is required from all parties to the arrangement for the relevant activities of Shanghai Jinhe.

In addition to Shanghai Jinhe, in 2014, the Group planned to develop certain property projects jointly with an independent party through certain companies, which were separate structured vehicles incorporated in Hong Kong or the Cayman Islands. Pursuant to the investment plan, each of the Group and the independent party held 50% of the paid up capital and voting rights of these companies and accordingly, the Group and the independent party had joint control over these companies. The Group's aggregate investment cost in these companies was approximately HK$775,000, which remained unpaid as at 31 December 2014 and was included in "other payables and accruals".

During the year ended 31 December 2015, the Group and the independent party agreed to terminate the investment plan and these companies were in the progress of deregistration.

The contractual arrangements in relation to the aforesaid companies provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with these companies. Under HKFRS 11, these joint arrangements are classified as joint ventures and have been accounted for in the consolidated financial statements using the equity method.

Details of the Group's principal joint venture as at 31 December 2015 are set out in note 46.

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 18. INTERESTS IN JOINT VENTURES (CONTINUED)

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **For the year ended 31 December** | | |
| Share of the joint ventures' profit for the year | 4,062 | 3,639 |
| Share of the joint ventures' other comprehensive income | (6,174) | (319) |
| Share of the joint ventures' total comprehensive income | (2,112) | 3,320 |
| **As at 31 December** | | |
| Aggregate carrying amount of the Group's interests in joint ventures | 100,784 | 103,672 |

## 19. INVENTORIES OF PROPERTIES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Properties under development, at cost | 24,402,667 | 26,709,475 |
| Properties held for sale, at cost | 10,072,814 | 7,301,155 |
| | 34,475,481 | 34,010,630 |

As at 31 December 2015, properties under development amounting to HK$18,258,063,000 (2014: HK$19,697,993,000) are not expected to be recovered within twelve months from the end of the reporting period.

As at 31 December 2015, leasehold interests in land included in inventories of properties amounted to HK$19,503,322,000 (2014: HK$18,862,146,000).

As at 31 December 2015, inventories of properties of HK$390,640,000 (2014: HK$1,712,416,000) were pledged as securities for the bank borrowings and banking facilities of the Group, which will be released upon the Group's settlement of the bank borrowings and banking facilities (note 37).

## 20. OTHER INVENTORIES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Raw materials | – | 620 |

## 21. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Trade receivables | 623,997 | 336,359 |
| Less: Impairment of trade receivables | – | – |
| Trade receivables, net (note (a)) | 623,997 | 336,359 |
| Other receivables | 607,206 | 377,910 |
| Prepayments and deposits (note (b)) | 3,172,662 | 5,428,299 |
| | 4,403,865 | 6,142,568 |

Notes:

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

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

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| 30 days or below | 570,605 | 211,984 |
| 31–60 days | 3,432 | 1,469 |
| 61–90 days | 7,421 | 974 |
| 91–180 days | 8,028 | 22,680 |
| 181–360 days | 15,964 | 93,667 |
| Over 360 days | 18,547 | 5,585 |
| | 623,997 | 336,359 |

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Less than 30 days | 2,438 | 9,082 |
| 31–60 days | – | 1,468 |
| 61–90 days | – | 974 |
| 91–180 days | – | 660 |
| 181–360 days | 3,748 | 1,414 |
| Over 360 days | – | 340 |
| | 6,186 | 13,938 |

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. Trade receivables which are neither past due nor impaired at the end of the reporting period relate to a large number of unrelated customers who did not have a recent history of default. Accordingly, no impairment provision is necessary in respect of these receivables.

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

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 21. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (Continued)

(b) The balance of prepayments and deposits as at 31 December 2015 mainly comprise the followings:

(i) An amount of HK$73,521,000 (2014: HK$78,079,000) paid by the Group for the primary development on certain areas in Hohhot-Inner Mongolia (the "Primary Development Land"). In prior years, the Group successfully acquired land use right for certain area of the Primary Development Land through public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands was offset against the payment made by the Group for the Primary Development Land. It is the assessment as well as intention of the directors that the amount of prepayment made for the Primary Development Land as at the end of the reporting period can be fully recovered through similar land auction exercise in future or by cash payment.

(ii) Deposits amounted to HK$2,146,300,000 (2014: HK$4,926,364,000) in aggregate paid by the Group for the acquisition of lands in the PRC. At the end of the reporting period, the dismantling and smoothing work on certain lands are still in progress and thus are not yet handed over to the Group. Accordingly, the land transfer application and procedures for those lands are in progress at the end of the reporting period. As assessed by the directors, the legal titles of those lands will be passed to the Group by the local authority in due course upon handover of the lands.

## 22. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

Among the balances due to non-controlling interests as at 31 December 2015, HK$53,712,000 (2014: HK$114,084,000) is unsecured, interest bearing at interest rates of 4.75% (2014: 6.72% to 7.20%) per annum and repayable from nineteen months to two years (2014: in one year) pursuant to relevant loan agreements. The remaining balance of amounts due to non-controlling interests as at 31 December 2015 of HK$716,999,000 (2014: HK$913,145,000) and the amounts due from non-controlling interests are unsecured, interest-free and repayable on demand.

During the year ended 31 December 2015, dividends attributable to non-controlling interests amounting to HK$65,272,000 (2014: HK$298,221,000). Out of this amount, HK$11,202,000 (2014: HK$298,221,000) was settled by cash payment whereas the remaining amount of HK$54,070,000 (2014: nil) was credited to the current account with the non-controlling interests.

## 23. RESTRICTED CASH AND DEPOSITS/CASH AND BANK BALANCES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Cash at banks and in hand (note (b)) | **13,026,619** | 11,409,768 |
| Less: Restricted cash and deposits (note (a)) | **(3,323,705)** | (2,584,487) |
| Cash and bank balances | **9,702,914** | 8,825,281 |

Notes:

(a) Certain bank balances are restricted as follows:

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

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

— In relation to the arrangement entered by the Group and a third party as detailed in note 24(b), amounts collected from the property purchasers in relation to the Underlying Assets (as defined in note 24(b)) are restricted for use as at 31 December 2014.

The amount of cash restricted for the above purposes as at 31 December 2015 was HK$3,323,705,000 (2014: HK$2,584,487,000).

(b) Cash balance denominated in Renminbi ("RMB") amounted to approximately HK$12,906,241,000 (2014: HK$11,100,823,000) as at 31 December 2015. The RMB is not freely convertible into other currencies.

(c) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period. As at 31 December 2015, the Group had time deposits of HK$38,163,000 (2014: HK$33,767,000) placed with banks with original maturity period from six months to two years (2014: six months to two years) and earned interest income at interest rates ranged from 2.18% to 4.02% (2014: 3.08% to 4.02%) per annum, of which HK$13,277,000 (2014: HK$13,676,000) was included in "cash and bank balances", whereas the remaining balances of HK$24,886,000 (2014: HK$20,091,000) was included in "restricted cash and deposits".

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 24. TRADE AND OTHER PAYABLES

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Trade payables (note (a)) | **7,588,088** | 6,374,692 |
| Other payables and accruals (note (b)) | **672,373** | 1,856,916 |
| Deposits received | **81,163** | 478,995 |
| | **8,341,624** | 8,710,603 |

Notes:

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| 30 days or below | **4,005,546** | 3,541,095 |
| 31–60 days | **194,599** | 386,937 |
| 61–90 days | **87,419** | 269,098 |
| 91–180 days | **494,174** | 565,875 |
| 181–360 days | **1,104,039** | 733,470 |
| Over 360 days | **1,702,311** | 878,217 |
| | **7,588,088** | 6,374,692 |

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

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

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

In relation to the Trust, COGO Property Group has been appointed as administrator to assist the Third Party in collecting settlement from the property purchasers. Upon collection from the property purchasers, COGO Property Group is required to deposit the amounts received in a designated bank account maintained at the supervision bank appointed by the Third Party. As at 31 December 2014, the Group received total sum of approximately RMB862,616,000, equivalent to HK$1,093,452,000 from the relevant property purchasers in respect of the Underlying Assets. Such balance has to be transferred to designated bank account as mentioned above and as at 31 December 2014, was included in "restricted cash and deposits" (note 23(a)) and the corresponding amount was included in "other payables and accruals".

In February 2015, COGO Property Group received the remaining settlement from the property purchasers in respect of the Underlying Assets and transferred an aggregate amount of RMB2,023,397,000 to the designated bank account of the Third Party. Upon full payment to the Third Party, the arrangement was terminated.

## 25. BORROWINGS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| *Current* | | |
| Bank borrowings | **4,918,627** | 4,132,040 |
| *Non-current* | | |
| Bank borrowings | **10,633,642** | 11,465,350 |
| | **15,552,269** | 15,597,390 |

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Analysis into: | | |
| Bank borrowings | | |
| Secured (note 37) | **179,040** | 1,004,164 |
| Unsecured | **15,373,229** | 14,593,226 |
| | **15,552,269** | 15,597,390 |

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Carrying amount at 1 January | **15,597,390** | 12,942,682 |
| Translation adjustment | **(233,845)** | (10,904) |
| New bank borrowings raised | **6,311,060** | 5,088,746 |
| Repayment of bank borrowings | **(6,122,336)** | (2,423,134) |
| **Carrying amount at 31 December** | **15,552,269** | 15,597,390 |

## 25. BORROWINGS (CONTINUED)

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

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| On demand or within one year | **4,918,627** | 4,132,040 |
| More than one year, but not exceeding two years | **2,299,316** | 3,139,714 |
| More than two years, but not exceeding five years | **8,334,326** | 8,174,514 |
| After five years | **–** | 151,122 |
| | **15,552,269** | 15,597,390 |

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

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

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| HK$ | **10,793,890** | 8,443,890 |
| RMB | **3,130,879** | 5,524,650 |
| United States Dollars ("US$") | **1,627,500** | 1,628,850 |
| | **15,552,269** | 15,597,390 |

As at 31 December 2015, bank borrowings denominated in HK$ and US$ have been arranged at annual floating rates of 2.49% to 4.08% (2014: 2.08% to 4.16%) and 3.37% to 3.43% (2014: 2.62% to 3.27%) respectively while those denominated in RMB have been arranged at annual floating rates of 4.80% to 6.83% (2014: 6.00% to 6.60%).

In respect of those bank loans which have been arranged to finance property development projects, the Group is required to place sales proceeds received from the buyers, rental income received and fund raised in relation to those projects into designated bank accounts. In addition, for obtaining a term loan from a bank as at 31 December 2014, the Group was also required to place the rental income generated from an investment property into a designated account. These bank accounts are subject to monitoring by the banks and the banks have priority to claim repayment for the borrowings from these designated accounts.

## 26. CONVERTIBLE BONDS

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

## 26. CONVERTIBLE BONDS (CONTINUED)

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

The Convertible Bonds are convertible by the bondholders into ordinary shares in the issued share capital of the Company at adjusted conversion price of HK$8.354 per share on or after 21 March 2014.

On or after 21 March 2015, the CB Issuer may mandatorily convert the Convertible Bonds in whole, but not in part, into shares at the then prevailing conversion price provided that certain conditions are fulfilled. In addition, the bondholders may redeem all or only some of such bondholders' Convertible Bonds on 21 March 2015 at 100% of their principal amount.

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

On 21 March 2015, all of the bondholders gave notice to exercise their redemption option and accordingly, the Company, on behalf of, the CB Issuer has redeemed all Convertible Bonds (the "Redemption") outstanding on 21 March 2015 (the "Redemption Date"). The total redemption money was HK$2,200,000,000 (the "Redemption Consideration"), being 100% of the principal amount of the Convertible Bonds. Further details of the Redemption are set out in the announcement of the Company dated 23 March 2015.

Subsequent to initial recognition, the liability component is measured at amortized cost using effective interest rate of 9.30% per annum until extinguished on conversion or redemption whereas the equity components is recognized in convertible bonds equity reserves until either the Convertible Bonds are converted or redeemed.

Upon Redemption, the Redemption Consideration of HK$2,200,000,000 was allocated as to HK$1,840,356,000 to the liability component and HK$359,644,000 to the equity component. The difference between the Redemption Consideration allocated to the liability component and the carrying amount of the liability component at the Redemption Date amounting to HK$5,962,000 is recognized in profit or loss under "Other (losses)/gains — loss on redemption of convertible bonds" whereas the difference between the Redemption Consideration allocated to the equity component and the carrying amount of the equity component amounting to HK$221,552,000 is recognized in retained profits.

Upon completion of the Redemption, all the Convertible Bonds were cancelled and delisted from the Singapore Stock Exchange.

## 26. CONVERTIBLE BONDS (CONTINUED)

The movements of the liability and equity components of the Convertible Bonds are set out as below:

| | Liability component HK$'000 | Equity component HK$'000 |
|---|---|---|
| Carrying amount as at 1 January 2014 | 1,731,858 | 581,196 |
| Imputed interest expense (note 9) | 160,483 | – |
| Finance costs paid | (71,938) | – |
| **Carrying amount as at 31 December 2014 and 1 January 2015** | **1,820,403** | **581,196** |
| Imputed interest expense (note 9) | **35,991** | **–** |
| Finance costs paid | **(22,000)** | **–** |
| Redemption of Convertible Bonds | **(1,834,394)** | **(581,196)** |
| **Carrying amount as at 31 December 2015** | **–** | **–** |

As at 31 December 2014, assuming full conversion of the Convertible Bonds at the adjusted conversion price of HK$8.354 per share, the Convertible Bonds will be convertible into approximately 263,346,900 ordinary shares of the Company. Those shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion. In addition, with reference to the average quotation of the Convertible Bonds published by a leading global financial market data provider, the fair value of the Convertible Bonds as at 31 December 2014 was HK$2,194,500,000 and it was within Level 1 of the fair value hierarchy.

## 27. GUARANTEED NOTES PAYABLE

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

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

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

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

## 27. GUARANTEED NOTES PAYABLE (CONTINUED)

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

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

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

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

| | HK$'000 |
|---|---|
| Fair value on initial recognition | 3,070,147 |
| Direct transaction costs | (20,982) |
| | 3,049,165 |
| Imputed interest expense (note 9) | 159,098 |
| Finance costs paid | (79,438) |
| **Carrying amount as at 31 December 2014 and 1 January 2015** | **3,128,825** |
| Imputed interest expense (note 9) | **168,449** |
| Finance costs paid | **(158,875)** |
| **Carrying amount as at 31 December 2015** | **3,138,399** |

The net proceeds from the issue of the Guaranteed Notes at 99.037% of the principal amount after the direct transaction costs of HK$20,982,000 were HK$3,049,165,000. The guaranteed notes payable is subsequently measured at amortized cost using effective interest rate of 5.505% per annum and imputed interest of HK$168,449,000 was incurred in the current year (2014: HK$159,098,000). The Guaranteed Notes are listed on the Stock Exchange. As at 31 December 2015, with reference to the average quotation of the Guaranteed Notes published by a leading global financial market data provider, the fair value of the Guaranteed Notes was HK$3,194,442,000 (2014: HK$3,153,661,000) and it is within Level 1 of the fair value hierarchy.

## 28. DEFERRED TAX

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

| | Inventories of properties HK$'000 | Revaluation of properties HK$'000 | Provision for LAT HK$'000 | Withholding tax HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2014 | 478,690 | 520,813 | (226,387) | 308,087 | – | 1,081,203 |
| Translation adjustment | (2,255) | (1,725) | 961 | (463) | (103) | (3,585) |
| (Credited)/Charged to profit or loss (note 10) | (58,797) | 7,507 | 41,795 | 123,800 | (22,047) | 92,258 |
| **At 31 December 2014 and 1 January 2015** | **417,638** | **526,595** | **(183,631)** | **431,424** | **(22,150)** | **1,169,876** |
| Translation adjustment | **(23,803)** | **(30,742)** | **5,249** | **(25,710)** | **1,384** | **(73,622)** |
| (Credited)/Charged to profit or loss (note 10) | **(4,505)** | **–** | **53,873** | **12,767** | **(2,204)** | **59,931** |
| **At 31 December 2015** | **389,330** | **495,853** | **(124,509)** | **418,481** | **(22,970)** | **1,156,185** |

Represented by:

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Deferred tax liabilities | **1,303,664** | 1,375,657 |
| Deferred tax assets | **(147,479)** | (205,781) |
| | **1,156,185** | 1,169,876 |

As at 31 December 2015, the Group has unused tax losses of HK$92,472,000 (2014: HK$101,702,000) available for offset against future profits. A deferred tax asset of HK$22,970,000 (2014: HK$22,150,000) has been recognized in respect of tax losses of approximately HK$91,880,000 (2014: HK$88,600,000). No deferred tax has been recognized in respect of the remaining tax losses of HK$592,000 (2014: HK$13,102,000) due to unpredictability of future profit streams. The tax losses incurred by the relevant subsidiaries may be carried forward for five years from the financial year when the corresponding loss was incurred.

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

## 28. DEFERRED TAX (CONTINUED)

As at 31 December 2015, deferred tax liabilities of approximately HK$418,481,000 (2014: HK$431,424,000) have been recognized in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$4,448,538,000 (2014: HK$4,594,320,000). Deferred tax liabilities of approximately HK$268,869,000 as at 31 December 2015 (2014: HK$332,310,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of other relevant PRC subsidiaries as at 31 December 2015, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$3,637,357,000 as at 31 December 2015 (2014: HK$4,118,797,000).

## 29. SHARE CAPITAL

Movements of the Company's ordinary shares are set out below:

| | Par value per share HK$ | Number of ordinary shares '000 | HK$'000 |
|---|---|---|---|
| **Authorized** | | | |
| Balance at 1 January 2014 | 0.01 | 45,000,000 | 450,000 |
| **Balance at 31 December 2014, 1 January 2015 and 31 December 2015 (note (i))** | **N/A** | **N/A** | **N/A** |
| **Issued and fully paid** | | | |
| Balance at 1 January 2014 | 0.01 | 2,282,240 | 22,822 |
| Transition to no-par value regime on 3 March 2014 (note (ii)) | N/A | – | 2,121,196 |
| **Balance at 31 December 2014, 1 January 2015 and 31 December 2015** | **N/A** | **2,282,240** | **2,144,018** |

Notes:

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 30. RESERVES

### THE GROUP

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity on page 67. The nature and purpose of the reserves are as follows:

*Share premium and capital redemption reserve*

Previously, the application of the share premium and capital redemption reserve was governed by the relevant provisions of the Hong Kong Companies Ordinance, Cap. 32. In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622, which came into effect on 3 March 2014, the amount standing to the credit of the share premium account and capital redemption reserve on 3 March 2014 of HK$1,906,373,000 and HK$44,822,000 respectively became part of the share capital. The use of these share premium and capital redemption reserve balances is governed by Section 38 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622.

*Convertible bonds equity reserve*

The convertible bonds equity reserve as at 31 December 2014 comprises (i) the initial carrying value of the equity component of the Convertible Bonds issued by the Group on initial recognition; and (ii) direct transaction costs attributable to the equity component of the Convertible Bonds as recognized in accordance with the accounting policy adopted for convertible bonds as disclosed in note 3.21. As disclosed in note 26, in March 2015, all of the outstanding Convertible Bonds were redeemed by the Company, on behalf of, the CB Issuer as a result of the exercise of the redemption option by all of the bondholders. Accordingly, the equity component of the Convertible Bonds was derecognized upon the Redemption and the balance of this reserve was nil as at 31 December 2015.

*Translation reserve*

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

For the year ended 31 December 2015, the Group recognised a deficit in translation reserve, which was mainly arising from translation of PRC operation as a result of depreciation of RMB.

*Asset revaluation reserve*

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

*Statutory reserves*

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

## 30. RESERVES (CONTINUED)

### THE GROUP (Continued)

*Other reserve*

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

*Retained profits*

Retained profits of the Group comprise:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Final dividend proposed for the year (note 11(a)) | – | 22,822 |
| Retained profits after proposed dividend | 8,954,014 | 7,995,772 |
| Total retained profits for the year | 8,954,014 | 8,018,594 |

### THE COMPANY

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

| | Share premium<br>HK$'000 | Capital redemption reserve<br>HK$'000 | Other reserve<br>HK$'000 | Retained profits<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 1,906,373 | 44,822 | 170,001 | 806,755 | 2,927,951 |
| Loss and total comprehensive income for the year | – | – | – | (93,417) | (93,417) |
| 2013 final dividend paid (note 11(b)) | – | – | – | (136,934) | (136,934) |
| 2014 interim dividend declared (note 11(a)) | – | – | – | (91,290) | (91,290) |
| Transition to no-par-value regime on 3 March 2014 (note 29) | (1,906,373) | (44,822) | (170,001) | – | (2,121,196) |
| **At 31 December 2014 and 1 January 2015** | – | – | – | 485,114 | 485,114 |
| Profit and total comprehensive income for the year | – | – | – | 191,282 | 191,282 |
| 2014 final dividend paid (note 11(b)) | – | – | – | (22,822) | (22,822) |
| **At 31 December 2015** | – | – | – | 653,574 | 653,574 |

*Other reserve*

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

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 30. RESERVES (CONTINUED)

### THE COMPANY (Continued)

*Retained profits*

Retained profits of the Company comprise:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Final dividend proposed for the year (note 11(a)) | – | 22,822 |
| Retained profits after proposed dividend | 653,574 | 462,292 |
| Total retained profits for the year | 653,574 | 485,114 |

## 31. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2015 were HK$637,086,000 (2014: HK$671,114,000), which are attributed to certain subsidiaries not wholly-owned by the Group. In the opinion of the directors, none of the non-controlling interests of these subsidiaries are material to the Group.

## 32. SHARE OPTION SCHEME

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

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

The Option Scheme expired on 11 May 2015.

## 33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

**As at 31 December 2015**

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 1,675 | 2,524 |
| Interests in subsidiaries | 45 | 1,944,077 | 1,944,077 |
| | | 1,945,752 | 1,946,601 |
| **Current assets** | | | |
| Other receivables, prepayments and deposits | | 145 | 16 |
| Amounts due from subsidiaries | | 15,661,299 | 15,509,153 |
| Cash and bank balances | | 482,250 | 238,845 |
| | | 16,143,694 | 15,748,014 |
| **Current liabilities** | | | |
| Other payables and accruals | | 57,031 | 75,024 |
| Amounts due to subsidiaries | | 2,813,433 | 4,917,719 |
| Borrowings | | 3,588,890 | 2,050,100 |
| | | 6,459,354 | 7,042,843 |
| **Net current assets** | | 9,684,340 | 8,705,171 |
| **Total assets less current liabilities** | | 11,630,092 | 10,651,772 |
| **Non-current liabilities** | | | |
| Borrowings | | 8,832,500 | 8,022,640 |
| **Net assets** | | 2,797,592 | 2,629,132 |
| **Capital and reserves** | | | |
| Share capital | 29 | 2,144,018 | 2,144,018 |
| Retained profits | 30 | 653,574 | 462,292 |
| Proposed dividend | 11 | – | 22,822 |
| **Total equity** | | 2,797,592 | 2,629,132 |

On behalf of the Directors

**Zhang Guiqing**
*Director*

**Wang Man Kwan, Paul**
*Director*

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 34. ACQUISITION OF NON-CONTROLLING INTERESTS IN SUBSIDIARIES

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

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

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

(b) On 11 December 2014, the Group entered into an acquisition agreement with 石嘴山市鼎銀投資有限公司 and 錫華實業投資集團有限公司, the non-controlling shareholders of 中海宏洋地產（銀川）有限公司 ("COGO Yinchuan") to acquire additional 15% equity interest in COGO Yinchuan at aggregate consideration of RMB126,000,000, equivalent to approximately HK$158,975,000. COGO Yinchuan is a company established in the PRC principally engaged in property development in Yinchuan, the PRC. Following the acquisition, the Group's equity interest in COGO Yinchuan increased from 70% to 85%. As at 31 December 2014, the consideration of RMB126,000,000, equivalent to approximately HK$159,718,000 remained outstanding and was included in "amounts due to non-controlling interests" (note 22). The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

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

During the year ended 31 December 2015, the outstanding consideration of RMB126,000,000, equivalent to approximately HK$156,832,000 was settled by cash payment.

## 35. DISPOSAL OF SUBSIDIARIES

On 18 May 2015, COGO Property Group, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Agreement") with 中海物業管理有限公司 (China Overseas Property Management Co., Ltd.) ("COPM"), an indirect wholly-owned subsidiary of COLI, in relation to the disposal of 100% equity interest in 中海宏洋物業管理有限公司 (China Overseas Grand Oceans Property Management Limited) ("COGOPM"), a direct wholly-owned subsidiary of COGO Property Group. The consideration of the disposal is RMB50,030,000, equivalent to approximately HK$63,161,000. The disposal was completed in May 2015.

COGOPM is a limited liability company established in the PRC. COGOPM and its subsidiaries (collectively referred to as "COGOPM Group") are principally engaged in provision of property management services in the PRC. Upon completion of the disposal, the Group no longer engages in provision of property management services in the PRC.

The gain arising from the disposal of COGOPM Group of HK$2,874,000 was included in "Other (losses)/gains — Gain on disposal of subsidiaries" in the consolidated income statement and is calculated as follows:

| | 2015<br>HK$'000 |
|---|---|
| Consideration pursuant to the Agreement | 63,161 |
| Net assets disposed of (note) | (63,123) |
| Release of translation reserve upon disposal of subsidiaries | 2,836 |
| Gain on disposal | 2,874 |

Note:

The net assets of COGOPM Group disposed of were as follows:

| | 2015<br>HK$'000 |
|---|---|
| Property, plant and equipment | 526 |
| Other inventories | 100 |
| Trade and other receivables, prepayments and deposits | 383 |
| Amount due from a shareholder | 66,923 |
| Cash and bank balances | 29,535 |
| Trade and other payables | (26,363) |
| Sales deposits received | (7,390) |
| Amounts due to fellow subsidiaries | (73) |
| Tax liabilities | (518) |
| | 63,123 |

An analysis of the net cash inflow arising from the disposal of COGOPM Group is as follows:

| | 2015<br>HK$'000 |
|---|---|
| Consideration settled by: | |
| Cash | 63,161 |
| Net cash inflow arising from the disposal: | |
| Cash consideration received | 63,161 |
| Cash and bank balances disposed of | (29,535) |
| | 33,626 |

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 36. RETIREMENT BENEFITS SCHEMES

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

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

The total expenses recognized in profit or loss of HK$14,000,000 (2014: HK$9,437,000) represent contributions paid/payable to these schemes by the Group in the year. As at 31 December 2015, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2014: nil).

## 37. PLEDGE OF ASSETS

As at 31 December 2015, the carrying amount of the assets pledged by the Group to secure for bank borrowings and banking facilities granted to the Group are analyzed as follows:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Owners-occupied properties (note 15) | **–** | 10,374 |
| Investment properties (note 14) | **–** | 2,708,861 |
| Inventories of properties (note 19) | **390,640** | 1,712,416 |
| | **390,640** | 4,431,651 |

## 38. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its office properties, quarters and shopping mall operating right under operating leases arrangements. Leases of these properties are negotiated for periods ranging from two months to thirty years (2014: three months to thirty years) and rentals are fixed over the contracted period. As at 31 December 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Within one year | **17,586** | 16,854 |
| In the second to fifth year, inclusive | **27,555** | 29,356 |
| Over five years | **26,110** | 34,067 |
| | **71,251** | 80,277 |

## 38. OPERATING LEASE ARRANGEMENTS (CONTINUED)

### As lessor

The Group leases out its investment properties (note 14) and the shopping mall in which the Group has operating right (note 17) under operating lease arrangements with leases negotiated for period ranging from one to twenty years (2014: one to twenty years). As at 31 December 2015, the Group had contracted with tenants for the following future minimum lease payments receivable:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Within one year | **202,223** | 232,789 |
| In the second to fifth year, inclusive | **156,063** | 288,929 |
| Over five years | **148,743** | 187,021 |
| | **507,029** | 708,739 |

## 39. OTHER COMMITMENTS

As at 31 December 2015, the Group had other significant commitments as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Contracted for but not provided for in the financial statements: | | |
| — Investment in equity interest | **295,416** | 310,000 |
| — Acquisition of land | **1,801,178** | 836,851 |
| — Property development | **1,937,071** | 6,389,325 |
| Authorized but not contracted for: | | |
| — Acquisition of land | **188,100** | 580,269 |

## 40. GUARANTEES

As at 31 December 2015, the Group had issued the following significant guarantees:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Guarantees given to: | | |
| Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties | **18,742,760** | 11,877,805 |

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

## 41. RELATED PARTY TRANSACTIONS

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

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

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

During the year ended 31 December 2015, no contract was granted by the Group to CSCECL Group under the Contractor Agreement. During the year ended 31 December 2014, total contract sum granted by the Group to CSCECL Group under the Contractor Agreement amounted to approximately HK$396,697,000.

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

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

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

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

## 41. RELATED PARTY TRANSACTIONS (CONTINUED)

**(b) (Continued)**

For the year ended 31 December 2015, royalty incurred by the Group under the New Trademark Licence Agreement amounted to approximately HK$165,167,000. For the year ended 31 December 2014, royalty incurred by the Group under the Trademark Licence Agreement and the New Trademark Licence Agreement amounted to approximately HK$138,236,000. As at 31 December 2015, the royalty payable to COLI amounted to HK$165,167,000 (2014: HK$138,236,000) which was included in "Trade and other payables" in the consolidated statement of financial position. The amount due to COLI is unsecured, interest-free and repayable on demand.

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

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

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

For the year ended 31 December 2015, total rental income generated from the New Tenancy Agreements is approximately RMB14,004,000, equivalent to approximately HK$17,431,000. For the year ended 31 December 2014, total rental income generated from the Tenancy Agreements and the New Tenancy Agreements was approximately RMB13,113,000, equivalent to approximately HK$16,545,000. As at 31 December 2015, rental income received in advance from the Tenants or the New Tenants amounted to approximately HK$1,393,000 (2014: HK$1,479,000).

## 41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

For the year ended 31 December 2014, no property management fees were paid/payable to COPM Group under the Property Management Agreement.

**(e)** Before the disposal of equity interest in COGOPM as set out in note 35, COGOPM Group provided property management services in respect of various property development projects of the Group in the PRC. Upon the completion of the disposal, COGOPM Group continues to provide property management services for these property development projects.

On 1 June 2015, the Company and China Overseas Property Holdings Limited ("COPH"), a direct wholly-owned subsidiary of COLI, entered into the framework agreement (the "New Property Management Agreement") pursuant to which COPH and its subsidiaries ("COPH Group") may provide property management services to the Group. The New Property Management Agreement shall take effect from 1 June 2015 for a term of three years ending on 31 May 2018 (both days inclusive).

According to the New Property Management Agreement, the annual consideration payable by the Group for property management services for the period from 1 June 2015 to 31 December 2015, each of the two years ending 31 December 2017 and the period from 1 January 2018 to 31 May 2018 shall not exceed RMB30,000,000, RMB50,000,000, RMB60,000,000 and RMB35,000,000 respectively.

For the year ended 31 December 2015, total property management services fee paid/payable under the New Property Management Agreement is approximately RMB26,944,000, equivalent to approximately HK$33,537,000. As at 31 December 2015, the property management services fee payable to COPH Group amounted to RMB1,293,000, equivalent to approximately HK$1,543,000 which was included in "Trade and other payables" in the consolidated statement of financial position. The management fees payable by the Group to COPH Group is unsecured, interest-free and will be settled pursuant to the payment terms set out in the specific tender or property management contracts.

**(f)** The balance of other payables and accruals as at 31 December 2014 included amounts due to joint ventures of HK$775,000, which represented outstanding investment costs in certain project companies as detailed in note 18.

## 41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Short-term employee benefits | **31,974** | 25,936 |
| Post-employment benefits | **96** | 93 |
| | **32,070** | 26,029 |

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

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

In connection with its property development activities, other than those disclosed in notes (a), (d) and (e) above, the Group awards construction and other works contracts to PRC entities, some of which, to the best knowledge of management, are state-controlled entities. The Group has also entered into various transactions with the PRC government departments or agencies, mainly acquisition of land through tendering to those government departments or agencies. During the year ended 31 December 2015, the Group acquired certain parcels of land from the PRC government departments through public tender at an aggregate consideration of approximately HK$3,390,204,000 (2014: HK$5,250,401,000).

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

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

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

In addition to the above transactions and balances, details of the Group's other balances with related parties are disclosed in consolidated statement of financial position and note 22.

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

## 42. CAPITAL MANAGEMENT

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

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

The net gearing ratios of the Group as at 31 December 2015 and 2014 were as follows:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Borrowings | **15,552,269** | 15,597,390 |
| Convertible bonds — liability component | **–** | 1,820,403 |
| Guaranteed notes payable | **3,138,399** | 3,128,825 |
| Less: restricted cash and deposits | **(3,323,705)** | (2,584,487) |
| Less: cash and bank balances | **(9,702,914)** | (8,825,281) |
| Net debt | **5,664,049** | 9,136,850 |
| Capital represented by equity attributable to owners of the Company | **11,172,751** | 12,301,255 |
| Net gearing ratio | **50.7%** | 74.3% |

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

## 43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

### 43.1 Categories of financial instruments

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables# | **14,917,163** | 12,206,668 |
| **Financial liabilities** | | |
| Financial liabilities at amortized cost^ | **27,634,289** | 29,700,344 |

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

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

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

### 43.2 Financial results by financial instruments

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Interest income or (expenses) on:** | | |
| Loans and receivables | **92,005** | 65,943 |
| Financial liabilities at amortized cost | **(899,170)** | (989,137) |

### 43.3 Fair value measurement

(a) *Financial instruments not measured at fair value*

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

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

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

(b) *Financial instruments measured at fair value*

As at 31 December 2015 and 2014, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

## 44. FINANCIAL RISK MANAGEMENT

### 44.1 Financial risk management objectives and policies

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

## 44. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 44.2 Market risk

(a) *Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ended 31 December 2015 and 2014, the Group operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are HK$ and RMB. The Group is exposed to currency risk arising from fluctuations on foreign currencies against the functional currencies of the group entities. Currently, the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

The financial statements of the Group is presented in HK$, being the functional currency of the Company, and thus the Group is subject to exchange risk from the volatility of RMB exchange rate against HK$ upon translation of PRC operations.

(b) *Interest rate risk*

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from borrowings and its Guaranteed Notes. Borrowings and Guaranteed Notes arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. All of the borrowings of the Group as at 31 December 2015 and 2014 bore interest at floating rates. The Guaranteed Notes bear fixed interest rate during the interest period. The interest rates and repayment terms of the borrowings and Guaranteed Notes at the end of the reporting period are disclosed in notes 25 and 27 respectively.

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

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

## 44. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 44.2 Market risk (Continued)

*(b) Interest rate risk (Continued)*

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **(Decrease)/Increase in profit after tax and retained profits** | | |
| + 50 basis point ("bp") (2014: 50 bp) | **(10,535)** | (11,581) |
| – 10 bp (2014: 10 bp) | **2,107** | 2,316 |

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

### 44.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are as disclosed in note 40.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal only with credit worthy counterparties. Credit risk on restricted cash and deposits as well as cash and bank balances (note 23) is mitigated as cash is deposited in banks of high credit rating. The credit and investment policies have been consistently applied and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

For the year ended 31 December 2015 and 2014, the Group did not have significant concentration of credit risk as its trade and other receivables consists of a large number of customers and debtors. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 21.

In respect of trade receivables as at 31 December 2015 and 2014, significant amount was arising from sales of properties and at the end of the reporting period, the application of mortgage loans in respect of those sales was in progress. Management expects that the buyers will settle these receivables in due course once the mortgage loans are granted by the banks or the government agencies. In addition, the titles of those properties have been retained by the banks. Accordingly, management considers that recoverability concerns over those receivables are remote.

## 44. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 44.3 Credit risk (Continued)

The Group typically provides guarantees to banks or government agencies in connection with the customers' borrowing of mortgage loans to finance their purchase of properties (note 40). If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank or government agency holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

### 44.4 Liquidity risk

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

The following tables summarize the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on agreed scheduled repayments dates set out in the agreements. The amounts include interest payments computed using contractual rates. The directors believe that bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements or the repayment schedules agreed with the banks.

## 44. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 44.4 Liquidity risk (Continued)

| | Carrying amount HK$'000 | Total Contractual Undiscounted cash flow HK$'000 | On demand or within 1 year HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | Over 5 years HK$'000 |
|---|---|---|---|---|---|---|
| **As at 31 December 2015** | | | | | | |
| Bank borrowings | 15,552,269 | 16,670,008 | 5,415,787 | 2,636,099 | 8,618,122 | – |
| Guaranteed notes payable | 3,138,399 | 3,656,063 | 158,875 | 158,875 | 3,338,313 | – |
| Trade payables, other payables and accruals | 8,172,910 | 8,172,910 | 8,172,910 | – | – | – |
| Amounts due to non-controlling interests | 770,711 | 774,631 | 719,550 | 55,081 | – | – |
| | 27,634,289 | 29,273,612 | 14,467,122 | 2,850,055 | 11,956,435 | – |
| **As at 31 December 2014** | | | | | | |
| Bank borrowings | 15,597,390 | 17,001,862 | 4,798,932 | 3,511,286 | 8,506,363 | 185,281 |
| Convertible bonds | 1,820,403 | 2,222,000 | 2,222,000 | – | – | – |
| Guaranteed notes payable | 3,128,825 | 3,814,938 | 158,875 | 158,875 | 3,497,188 | – |
| Trade payables, other payables and accruals | 8,126,497 | 8,126,497 | 8,126,497 | – | – | – |
| Amounts due to non-controlling interests | 1,027,229 | 1,030,845 | 1,030,845 | – | – | – |
| | 29,700,344 | 32,196,142 | 16,337,149 | 3,670,161 | 12,003,551 | 185,281 |

The contractual financial guarantees provided by the Group are disclosed in note 40. As assessed by the directors, it is not probable that the banks or government agencies would claim the Group for losses in respect of the guarantee contracts due to security in place for the mortgage loans as mentioned in note 44.3 above. Accordingly, no provision for the Group's obligations under the guarantees has been made. The contractual maturity of these financial guarantees is "on demand".

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 45. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries as at 31 December 2015 are as follows:

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

## 45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

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

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

| Name of subsidiaries | Place of incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Proportion of nominal value of issued/registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | |
| Top Wonder International Limited | Hong Kong | Ordinary | HK$1 (note (b)) | – | 100% | Investment holding |
| Unibo Holdings Limited | Hong Kong | Ordinary | HK$1 (note (b)) | – | 100% | Investment holding |
| Wan Chang International Limited | British Virgin Islands | Ordinary | 1 share of US$1 each | – | 100% | Investment holding |
| Well Great (H.K.) Limited | Hong Kong | Ordinary | HK$1 (note (b)) | – | 100% | Investment holding |
| World United International Limited | Hong Kong | Ordinary | HK$1 (note (b)) | – | 100% | Investment holding |
| 上海中海宏洋置業有限公司 | PRC# | Paid up capital | RMB15,000,000 | – | 100% | Investment holding |
| 中海宏洋地產(合肥)有限公司 | PRC^ | Paid up capital | RMB580,000,000 | – | 100% | Property development |
| 中海宏洋地產(銀川)有限公司 | PRC* | Paid up capital | RMB840,000,000 | – | 85% | Property development |
| 中海宏洋地產(贛州)有限公司 | PRC* | Paid up capital | RMB600,000,000 | – | 88% | Property development |
| 中海宏洋地產(揚州)有限公司 | PRC^ | Paid up capital | RMB1,000,000,000 | – | 100% | Property development |
| 中海宏洋地產(常州)有限公司 | PRC^ | Paid up capital | RMB600,000,000 | – | 100% | Property development |
| 中海宏洋地產(鹽城)有限公司 | PRC^ | Paid up capital | RMB600,000,000 | – | 100% | Property development |
| 中海宏洋置地(常州)有限公司 | PRC^ | Paid up capital | RMB700,000,000 | – | 100% | Property development |
| 中海宏洋置地(鹽城)有限公司 | PRC^ | Paid up capital | RMB350,000,000 | – | 100% | Property development |
| 中海宏洋置業(合肥)有限公司 | PRC^ | Paid up capital | RMB1,000,000,000 | – | 100% | Property development |
| 中海宏洋置業(常州)有限公司 | PRC^ | Paid up capital | RMB1,000,000,000 | – | 100% | Property development |
| 中海宏洋(南通)投資開發有限公司 | PRC^ | Paid up capital | RMB600,000,000 | – | 100% | Property development |
| 中海海宏(南通)投資開發有限公司 | PRC^ | Paid up capital | RMB500,000,000 (2014: RMB366,821,479) | – | 100% | Property development |
| 北京中海宏洋地產有限公司 | PRC# | Paid up capital | RMB28,000,000 | – | 100% | Investment holding and property development |

## 45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

| Name of subsidiaries | Place of incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Proportion of nominal value of issued/registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | |
| 北京中京藝苑置業有限公司 | PRC# | Paid up capital | RMB30,000,000 | – | 100% | Property investment and property leasing |
| 北京華世柏利房地產開發有限公司 | PRC# | Paid up capital | RMB60,000,000 | – | 90% | Property development |
| 北京快樂城堡購物中心有限公司 | PRC# | Paid up capital | RMB10,000,000 | – | 100% | Property leasing |
| 北京通惠房地產開發有限責任公司 | PRC# | Paid up capital | RMB100,000,000 | – | 100% | Property development |
| 呼和浩特光大環城建設開發有限公司 | PRC# | Paid up capital | RMB120,000,000 | – | 80% | Property development |
| 呼和浩特市中海宏洋地產有限公司 | PRC# | Paid up capital | RMB50,000,000 | – | 100% | Property development |
| 呼和浩特市榮城房地產開發有限公司 | PRC# | Paid up capital | RMB15,000,000 | – | 100% | Property development |
| 南寧中海宏洋房地產有限公司 | PRC# | Paid up capital | RMB20,000,000 | – | 100% | Property development |
| 深圳市建地投資有限公司 | PRC# | Paid up capital | RMB10,000,000 | – | 100% | Investment holding |
| 廣州中海橡園房地產發展有限公司 | PRC# | Paid up capital | RMB10,000,000 | – | 100% | Property development |
| 廣州市光大花園房地產開發有限公司 | PRC* | Paid up capital | RMB800,000,000 | – | 100% | Property development |
| 廣州新都房地產發展有限公司 | PRC# | Paid up capital | RMB10,000,000 | – | 90% | Property development |
| 蘭州中海宏洋房地產開發有限公司 | PRC# | Paid up capital | RMB20,000,000 | – | 100% | Property development |
| 吉林市中海宏洋房地產開發有限公司 | PRC# | Paid up capital | RMB10,000,000 | – | 100% | Property development |
| 吉林市怡恒偉業房地產開發有限公司 | PRC# | Paid up capital | RMB200,000,000 | – | 70% | Property development |
| 吉林市中海海華房地產開發有限公司 | PRC# | Paid up capital | RMB50,000,000 | – | 85% | Property development |
| 桂林建禹地產有限公司 | PRC# | Paid up capital | RMB10,000,000 | – | 100% | Property development |
| 合肥中海新華房地產開發有限公司 | PRC# | Paid up capital | RMB20,000,000 | – | 60% | Property development |

# NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

## 45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

| Name of subsidiaries | Place of incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Proportion of nominal value of issued/registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| 合肥中海榮祥房地產開發有限公司 | PRC# | Paid up capital | RMB20,000,000 | – | 100% | Property development |
| 合肥海臻房地產開發有限公司 | PRC# | Paid up capital | RMB20,000,000 | – | 100% | Property development |
| 南寧中海宏洋置業有限公司 | PRC^ | Paid up capital | RMB1,700,000,000 | – | 100% | Property development |
| 紹興中海宏洋地產有限公司 | PRC# | Paid up capital | RMB50,000,000 | – | 100% | Property development |
| 揚州中海宏洋置業有限公司 | PRC# | Paid up capital | RMB50,000,000 | – | 100% | Property development |
| 揚州中潤置業有限公司 | PRC# | Paid up capital | RMB758,000,000 (2014: RMB590,350,300) | – | 100% | Property development |
| 汕頭市中海宏洋地產有限公司 | PRC# | Paid up capital | RMB230,000,000 (2014: RMB50,000,000) | – | 100% | Property development |
| 汕頭市中海宏洋置業有限公司 (note (a)) | PRC# | Paid up capital | RMB50,000,000 | – | 100% | Property development |

Notes:

(a) These subsidiaries were newly established during the year ended 31 December 2015.

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

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

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

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

None of the subsidiaries had any debt securities in issue at the end of the reporting period except for China Overseas Grand Oceans Finance II (Cayman) Limited which had issued Guaranteed Notes at principal amount of US$400,000,000 on 15 January 2014 (note 27). In addition, China Overseas Grand Oceans Finance (Cayman) Limited issued Convertible Bonds in an aggregate principal amount of HK$2,200,000,000 on 13 March 2012 and such Convertible Bonds were fully redeemed in March 2015 (note 26). None of these Convertible Bonds and Guaranteed Notes were held by the Group.

## 46. PARTICULARS OF PRINCIPAL JOINT VENTURE

The particulars of the principal joint venture as at 31 December 2015 are as follows:

| Name of joint venture | Place of incorporation/ operation | Class of shares held | Paid up issued/ registered capital | Proportion of nominal value of issued/registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | |
| 上海金鶴數碼科技發展有限公司 | PRC* | Paid up capital | US$2,400,000 | – | 65% | Property investment and property leasing |

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

# FIVE YEAR FINANCIAL SUMMARY

## CONSOLIDATED RESULTS

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **16,613,887** | 13,981,328 | 15,905,893 | 9,716,902 | 5,165,720 |
| Profit before income tax | **1,720,733** | 2,668,474 | 5,143,797 | 3,810,261 | 3,380,753 |
| Income tax expense | **(798,894)** | (1,222,494) | (1,761,144) | (1,324,622) | (1,575,935) |
| Profit for the year | **921,839** | 1,445,980 | 3,382,653 | 2,485,639 | 1,804,818 |
| Profit for the year attributable to: | | | | | |
| Owners of the Company | **851,196** | 1,267,402 | 3,136,038 | 2,400,718 | 1,815,418 |
| Non-controlling interests | **70,643** | 178,578 | 246,615 | 84,921 | (10,600) |
| | **921,839** | 1,445,980 | 3,382,653 | 2,485,639 | 1,804,818 |

## CONSOLIDATED ASSETS AND LIABILITIES

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **55,796,620** | 55,308,266 | 43,001,228 | 30,944,543 | 19,682,093 |
| Total liabilities | **(43,986,783)** | (42,335,897) | (30,729,564) | (22,335,445) | (14,250,063) |
| | **11,809,837** | 12,972,369 | 12,271,664 | 8,609,098 | 5,432,030 |
| Equity attributable to owners of the Company | **11,172,751** | 12,301,255 | 11,304,824 | 7,966,225 | 5,146,007 |
| Non-controlling interests | **637,086** | 671,114 | 966,840 | 642,873 | 286,023 |
| | **11,809,837** | 12,972,369 | 12,271,664 | 8,609,098 | 5,432,030 |

# PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS

## (A) PROPERTY HELD FOR OWN USE

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

## (B) PROPERTY HELD FOR INVESTMENT

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

## (C) PROPERTY HELD AS INVENTORIES

### (I) Properties Under Development

| Name/Location | Intended Usage | Approximate Total Site Area (sq.m.) | Approximate GFA (sq.m.) | Attributable Interest | Stage of Completion | Commencement Date | Estimated Completion Date |
|---|---|---|---|---|---|---|---|
| **The Chief Palace** No.2 of Northern Ring City, Jiangan Road, Qixing District, Guilin, Guangxi, the PRC | Residential/ Commercial | 7,500 | 19,100 | 100% | Superstructure in progress | 2011.10 | 1st half 2016 |
| **Jade Garden** Junction of Guanchao Road and Jiefang North Road, Guangliong District, Yangzhou, the PRC | Residential/ Commercial | 8,800 | 19,800 | 100% | Superstructure in progress | 2013.01 | 2nd half 2016 |
| **International Community (Land Lot No.1–1,3–3 and 5–1)** No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC | Residential/ Commercial | 39,800 | 45,500 | 85% | Superstructure in progress | 2013.03 | 1st half 2016 |

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

## (C) PROPERTY HELD AS INVENTORIES (CONTINUED)

### (I) Properties Under Development (Continued)

| Name/Location | Intended Usage | Approximate Total Site Area (sq.m.) | Approximate GFA (sq.m.) | Attributable Interest | Stage of Completion | Commencement Date | Estimated Completion Date |
|---|---|---|---|---|---|---|---|
| **Dragon Bay**<br>South of Huanghe East Road, Xinbei District, Changzhou City, the PRC | Residential/ Commercial | 25,400 | 51,700 | 100% | Superstructure in progress | 2013.05 | 1st half 2016 |
| **The Aqua**<br>South of Xinhua Road, East of Changtai Road, Gangzha District, Nantong, the PRC | Residential/ Commercial | 116,700 | 445,700 | 100% | Superstructure in progress | 2013.07 | 2nd half 2018 |
| **International Community**<br>East of Jinfeng Sixth Street, North of Liu Pan Mountain Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region, the PRC | Residential/ Commercial | 188,500 | 265,100 | 85% | Superstructure in progress | | |
| (Land Lot No. 53–1) | | | | | | 2013.08 | 1st half 2016 |
| (Land Lot No. 57) | | | | | | 2015.04 | 2nd half 2017 |
| **Royal Lakefront**<br>Xiangsihu East Road, Xixiangtang District, Nanning, the PRC | Residential | 13,600 | 74,100 | 100% | Superstructure in progress | 2013.08 | 2nd half 2017 |
| **The Phoenix**<br>Junction of Fenghuang Road and Zhongwu Avenue, Tianning District, Changzhou, the PRC | Residential/ Commercial | 91,300 | 336,000 | 100% | Superstructure in progress | 2013.08 | 2nd half 2018 |
| **The Century**<br>East of Riyue Road, South of Juheng Road, Yancheng, Jiangsu, the PRC | Residential/ Commercial | 70,500 | 227,300 | 100% | Superstructure in progress | 2013.09 | 2nd half 2016 |
| **The Lagoon**<br>South of Nanning Road, East of Jindou West Road, Hefei, the PRC | Residential/ Commercial | 139,900 | 473,000 | 100% | Superstructure in progress | 2014.02 | 1st half 2017 |
| **International Community**<br>Xingguo Road, Zhanggong District, Ganzhou, the PRC | Residential/ Commercial | 42,200 | 196,100 | 88% | Superstructure in progress | | |
| (Land Lot No. B8) | | | | | | 2014.03 | 1st half 2016 |
| (Land Lot No. B10) | | | | | | 2014.08 | 2nd half 2017 |
| **Maple Palace**<br>Jianwai Zhuanchang Hutong, Chaoyang District, Beijing, the PRC | Residential/ Commercial | 10,100 | 91,900 | 100% | Superstructure in progress | 2014.03 | 1st half 2016 |
| **The Azure**<br>North of Yinhe North Road, East of Xingan South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC | Residential/ Commercial | 46,200 | 152,200 | 100% | Superstructure in progress | 2014.03 | 2nd half 2017 |

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

## (C) PROPERTY HELD AS INVENTORIES (CONTINUED)

### (I) Properties Under Development (Continued)

| Name/Location | Intended Usage | Approximate Total Site Area (sq.m.) | Approximate GFA (sq.m.) | Attributable Interest | Stage of Completion | Commencement Date | Estimated Completion Date |
|---|---|---|---|---|---|---|---|
| **The Arch**<br>South of Century Avenue, East of Kaifang Avenue, Yancheng, Jiangsu, the PRC | Residential/ Commercial | 88,300 | 231,100 | 100% | Superstructure in progress | 2014.03 | 1st half 2017 |
| **Imperial No. 9**<br>West of Guanchao Road, North of Jiefang Road, Guangliong District, Yangzhou City, the PRC | Residential/ Commercial | 31,300 | 77,700 | 100% | Superstructure in progress | 2014.03 | 1st half 2017 |
| **Glorioushire**<br>South of Planning Road, East of Renshoushan Avenue, North of Beibinhe Road, Anning District, Lanzhou, the PRC | Residential/ Commercial | 119,600 | 518,200 | 100% | Superstructure in progress | 2014.06 | 1st half 2018 |
| **The Grand Canal**<br>West of Zhouzhuang River West Road, South of Huayang East Road, Yangzhou, the PRC | Residential | 90,700 | 182,100 | 100% | Superstructure in progress | 2014.06 | 2nd half 2017 |
| **Century Manor**<br>Changming Street, Paojiang Development Zone, Shaoxing, Zhejiang Province, the PRC | Residential/ Commercial | 85,900 | 240,400 | 100% | Superstructure in progress | 2014.07 | 1st half 2017 |
| **International Community Phase 2 (Land Lot No. 1)**<br>East of Nanshan Street, North of Hengshan East Road, Fengman District, Jilin City, Jilin Province, the PRC | Residential/ Commercial | 324,400 | 723,500 | 85% | Superstructure in progress | 2014.07 | 2nd half 2017 |
| **East Coast**<br>West of Binjiang Road, Xin Jin Pian District, East Coast New Town, Shantou, the PRC | Residential | 51,000 | 214,800 | 100% | Superstructure in progress | 2014.10 | 2nd half 2016 |
| **International Community**<br>No. 28 Jinping Road, Xingning District, Nanning, the PRC<br>(Land Lot No. 16)<br>(Land Lot No. 13) | Residential/ Commercial | 193,800 | 457,200 | 100% | Superstructure in progress | <br><br><br>2014.12<br>2015.05 | <br><br><br>1st half 2016<br>1st half 2017 |
| **Left Bank**<br>North of Yinhe North Road, East of Xing'an South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC | Residential/ Commercial | 21,500 | 29,400 | 100% | Superstructure in progress | 2015.04 | 2nd half 2016 |

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

## (C) PROPERTY HELD AS INVENTORIES (CONTINUED)

### (II) Land held for Future Development

| Name/Location | Intended Usage | Approximate Total Site Area (sq.m.) | Approximate GFA (sq.m.) | Attributable Interest | Stage of Completion |
|---|---|---|---|---|---|
| **International Community** South of Jinfeng District, Yinchuan, the PRC | Residential/ Commercial | 847,200 | 2,274,900 | 85% | Land under development |
| **International Community** West of Wudu Road, North of Xingguo Road, East of Dengfeng Avenue, South of Zanxian Road, Zhanggong District, Ganzhou, the PRC | Residential/ Commercial | 154,900 | 591,100 | 88% | Land under development |
| **International Community** No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC | Residential/ Commercial | 58,000 | 155,000 | 85% | Land under development |
| **International Community Phase 2 (Land Lot No.2)** East of Nanshan Street, North of Hengshan East Road, Fengman District, Jilin City, Jilin Province, the PRC | Residential/ Commercial | 32,700 | 116,800 | 100% | Land under development |
| **Yangzhou Kaifa District Zhouzhuanghe Road Project** North of Dongfenghe Road, West of Zhouzhuanghe Road, Kaifa District, Yangzhou, the PRC | Residential | 78,800 | 173,500 | 100% | Land under development |
| **International Community** No. 28 Jinping Road, Xingning District, Nanning, the PRC | Residential/ Commercial | 220,500 | 919,500 | 100% | Land under development |
| **Baohe District Project** East of Guanlu Road, North of Longchuan Road, Hefei, the PRC | Residential/ Commercial | 85,300 | 143,100 | 45% | Land under development |

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

## (C) PROPERTY HELD AS INVENTORIES (CONTINUED)

### (II) Land held for Future Development (Continued)

| Name/Location | Intended Usage | Approximate Total Site Area (sq.m.) | Approximate GFA (sq.m.) | Attributable Interest | Stage of Completion |
|---|---|---|---|---|---|
| **China Overseas Plaza**<br>West of Mogao Avenue,<br>East of Xinyuan Road,<br>South of Planning Road,<br>Anning District,<br>Lanzhou, the PRC | Residential/ Commercial | 105,800 | 495,700 | 100% | Land under development |
| **Binhai New Town Project**<br>Nanbin Area,<br>Citic Binhai New Town,<br>Shantou, the PRC | Residential/ Commercial | 216,600 | 989,400 | 100% | Land under development |

### (III) Properties held for sale

| Name/Location | Intended Usage | Approximate Saleable gross floor area (sq.m.) (excluding Car Park) | Attributable Interest |
|---|---|---|---|
| **Dragon Bay**<br>South of Huanghe East Road,<br>Xinbei District, Changzhou City, the PRC | Residential/ Commercial | 76,650 | 100% |
| **The Phoenix**<br>Junction of Fenghuang Road<br>and Zhongwu Avenue, Tianning District, Changzhou,<br>the PRC | Residential/ Commercial | 95,713 | 100% |
| **The Imperial**<br>North of Longcheng Avenue,<br>East of Taishan Road,<br>Changzhou City, the PRC | Residential/ Commercial | 45,094 | 100% |
| **The Chief Palace**<br>No. 2 of Northern Ring City,<br>Jiangan Road, Qingxing District,<br>Guilin, Guangxi, the PRC | Residential/ Commercial | 12,600 | 100% |
| **The Lagoon**<br>South of Nanning Road,<br>East of Jindou West Road, Hefei,<br>the PRC | Residential/ Commercial | 64,743 | 100% |

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

## (C) PROPERTY HELD AS INVENTORIES (CONTINUED)

### (III) Properties held for sale (Continued)

| Name/Location | Intended Usage | Approximate Saleable gross floor area (sq.m.) (excluding Car Park) | Attributable Interest |
|---|---|---|---|
| **Dragon Cove**<br>West of Fengzhou Road,<br>North of Bin He Road,<br>Saihan District, Hohhot,<br>Inner Mongolia Autonomous Region,<br>the PRC | Residential | 99,693 | 100% |
| **The Bund**<br>North of Yinhe North Road,<br>East of Fu Bilie Road,<br>Saihan District, Hohhot,<br>Inner Mongolia Autonomous Region,<br>the PRC | Residential/<br>Commercial | 16,054 | 100% |
| **The Azure**<br>North of Yinhe North Road, East of<br>Xingan South Road, Hohhot,<br>Inner Mongolia Autonomous Region,<br>the PRC | Residential/<br>Commercial | 72,301 | 100% |
| **International Community**<br>No. 515, Yishan Road, Fengman District,<br>Jilin City, Jilin Province, the PRC | Residential/<br>Commercial | 120,438 | 85% |
| **Glorioushire**<br>South of Planning Road, East of Renshoushan<br>Avenue, North of Beibinhe Road, Anning District,<br>Lanzhou, the PRC | Residential/<br>Commercial | 28,800 | 100% |
| **The Green Peak**<br>No. 2, Dongzhou Road, Xingning District,<br>Dong Gouling, Nanning, the PRC | Residential/<br>Commercial | 19,094 | 100% |
| **Royal Lakefront**<br>Xiangsihu East Road, Xixiangtang District,<br>Nanning, the PRC | Residential | 94,618 | 100% |
| **International Community**<br>No. 28 Jinping Road, Xingning District,<br>Nanning, the PRC | Residential/<br>Commercial | 43,858 | 100% |

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

## (C) PROPERTY HELD AS INVENTORIES (CONTINUED)

### (III) Properties held for sale (Continued)

| Name/Location | Intended Usage | Approximate Saleable gross floor area (sq.m.) (excluding Car Park) | Attributable Interest |
|---|---|---|---|
| **The Aqua**<br>South of Xinhua Road, East of Changtai Road,<br>Gangzha District, Nantong, the PRC | Residential/<br>Commercial | 43,770 | 100% |
| **The Grove**<br>East of Tongfu Road,<br>North of Century Avenue,<br>Chongchuan District,<br>Nantong, the PRC | Residential | 19,248 | 100% |
| **Century Manor**<br>Changming Street,<br>Paojiang Development Zone,<br>Shaoxing, Zhejiang Province,<br>the PRC | Residential/<br>Commercial | 10,247 | 85% |
| **Jade Garden**<br>Junction of Guanchao Road<br>and Jiefang North Road, Guangliong District,<br>Yangzhou, the PRC | Residential/<br>Commercial | 17,654 | 100% |
| **Imperial No. 9**<br>West of Guanchao Road,<br>North of Jiefang Road,<br>Guangliong District, Yangzhou City,<br>the PRC | Residential/<br>Commercial | 34,816 | 100% |
| **The Grand Canal**<br>West of Zhouzhuang River West Road,<br>South of Huayang East Road, Yangzhou,<br>the PRC | Residential | 34,758 | 100% |
| **International Community**<br>**(Lianhua Garden (Phase 2/Phase 3))**<br>East of Jinfeng Sixth Street,<br>North of Liu Pan Mountain Road,<br>Jinfeng District, Yinchuan City,<br>Ningxia Hui Autonomous Region, the PRC | Residential/<br>Commercial | 140,264 | 85% |

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

## (D) PROPERTY HELD UNDER JOINT VENTURE

### PROPERTY HELD FOR INVESTMENT

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

# GLOSSARY

| | |
|---|---|
| Board | the board of Directors |
| CG Code | Corporate Governance Code in Appendix 14 to the Listing Rules |
| COHL | China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of COLI |
| COLI | China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688), being a controlling shareholder of the Company |
| COPH | China Overseas Property Holdings Limited, a COHL's subsidiary incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2669) |
| Companies Ordinance | Companies Ordinance, Chapter 622 of the Laws of Hong Kong |
| Company | China Overseas Grand Oceans Group Limited (stock code: 81), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange |
| Company Secretary | the company secretary of the Company |
| Convertible Bonds | means HK$2,200,000,000 2.00% guaranteed convertible bonds due 2017 (credit enhanced until 2015 with step down to zero coupon after 2015) issued by the Group and guaranteed by the Company |
| CPI | consumer price index |
| CSCEC | 中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organized and existing under the laws of the PRC, which is the holding company of CSCECL |
| CSCECL | 中國建築股份有限公司 (China State Construction & Engineering Corporation Limited), a joint stock company incorporated in the PRC which is an intermediate holding company of COLI |
| CSCECL Group | CSCECL and its subsidiaries from time to time |
| Directors | the director(s) of the Company |
| GDP | gross domestic product |
| GFA | gross floor area |

# GLOSSARY *(CONTINUED)*

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

Note: This section is not applicable to the section "Independent Auditor's Report" and the consolidated financial statements of the Group set out on pages 63 to 141 of this annual report.

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